

Tilburg University

Towards a methodology to monitor and analyse flexicurity (FLC) and work-life balance (WLB) policies in the member states of the EU

Muffels, R.J.A.; Wilthagen, I.H.J.M.; Chung, H.J.; Dekker, R.

Publication date:
2010

[Link to publication in Tilburg University Research Portal](#)

Citation for published version (APA):

Muffels, R. J. A., Wilthagen, I. H. J. M., Chung, H. J., & Dekker, R. (2010). *Towards a methodology to monitor and analyse flexicurity (FLC) and work-life balance (WLB) policies in the member states of the EU*. European Commission/Tilburg University.

General rights

Copyright and moral rights for the publications made accessible in the public portal are retained by the authors and/or other copyright owners and it is a condition of accessing publications that users recognise and abide by the legal requirements associated with these rights.

- Users may download and print one copy of any publication from the public portal for the purpose of private study or research.
- You may not further distribute the material or use it for any profit-making activity or commercial gain
- You may freely distribute the URL identifying the publication in the public portal

Take down policy

If you believe that this document breaches copyright please contact us providing details, and we will remove access to the work immediately and investigate your claim.



Towards a methodology to monitor and analyse flexicurity (FLC) and work-life balance (WLB) policies in the Member States of the EU

Tender no. VT/2008/009

Prof. Ruud Muffels (ReflecT/Tilburg University)
Prof. Ton Wilthagen (ReflecT/Tilburg University)
Dr. Heejung Chung (ReflecT/Tilburg University)
Dr. Ronald Dekker (ReflecT)
E-mail: Ruud.J.Muffels@uvt.nl

© ReflecT - Tilburg University, Tilburg

CONTENTS

Chapter 1

Introduction: Background and Purpose of the Study	3
1.1. Structure of the report	3

Chapter 2

A Framework for Monitoring Progress in Flexicurity (FLC) and Work-Life-Balance (WLB) Policies	5
2.1. Flexicurity as a ‘State of Affairs’: a Stock-Flow-Outcome approach (SFO)	5
2.2. Flexicurity as a ‘Policy Strategy’: the Effort-State-Challenges approach (ESC)	11
2.2.1. Existing and proposed indicators by EMCO	12
2.2.2. The Efforts-States-Challenges (ESC) approach	15
2.3. ESC and the monitoring of MS reporting on Flexicurity policies	17

Chapter 3

Review of Empirical and Methodological Studies on Defining Flexicurity Indicators	18
3.1. Institutional and outcome indicators used in the EIE reports	18
3.2. Composite institutional indicators	23
3.3. Dynamic indicators on flexibility and security	25
3.4. Institutional versus outcome indicators	27

Chapter 4

Flexicurity as a ‘State of Affairs’: Monitoring the Progress of Member States’ Achievements on Flexicurity	28
4.1. Indicators for monitoring	28
4.2. Developing and testing transition indicators using SILC 2005-2006	29
4.2.1. EMCO indicators and amendments	29
4.2.2. Flexible and reliable contractual arrangements (FLCA): Flexibility-mobility indicators	34
4.2.3. Life-long learning and active labour market policies	39
4.2.4. Modern social security systems (MSS)	41
4.2.4.1. Transitions in wage and benefit incomes	41
4.2.4.2. Transition income security indicators	43
4.2.4.3. Work-Life balance security indicators	46
4.3. Methodology of presenting evidence in a comparative Framework	53

Chapter 5

Flexicurity as a ‘Policy Strategy’: A Framework for Monitoring Flexicurity Policies in the Member States **55**

- 5.1. Monitoring the progress of flexicurity policies 55
- 5.2. The ESC model to monitor MS flexicurity policies 55
 - 5.2.1. Illustration of the monitoring of MS policies:
the EES as a starting point 59
 - 5.2.2. Monitoring the common principles and components
of flexicurity using dynamic indicators 66

Chapter 6

Conclusions and Recommendations for Monitoring **71**

- 6.1. Introduction and outline 71
- 6.2. Data sources: Labour Force, Time-Use and SILC-data 72
- 6.3. Defining the criteria for the selection of indicators 73
- 6.4. A list of Transition Outcome Indicators on Flexicurity and WLB 74
- 6.5. Conclusions with respect to the SFO and ESC-framework 75

References **82**

Annex 1 **87**

INTRODUCTION: BACKGROUND AND PURPOSE OF THE STUDY

1. Background and purpose of the report

The project refers to tender no. VT/2008/009, titled: “Methodology for monitoring and analysis of the Flexicurity policies in the Member States in the context of the Lisbon strategy”. The aim of the project is to develop a methodology for evaluating flexicurity policies of the member states. The background is formed by the growing importance attached to flexicurity and work-life balance (WLB) policies within the European Employment Strategy (EES) and the need to monitor and analyse the progress in these domains. For that reason the research forms part of the European Commission’s PROGRESS programme for the next few years that aims to link flexicurity policies in the employment domain to policies in the social domain in regard to social solidarity for establishing a more cohesive society.

1.2 Structure of the report

Our conceptual framework starts off by making a distinction between flexicurity as a “state of affairs” (the so-called Stock-Flow-Outcome or SFO-approach) and a “policy strategy” (the so-called Effort-State-Challenges or ESC-approach). We first develop a conceptual framework for arriving at the definition of a set of single and or composite indicators on flexicurity and the work-life balance which we tested in particular on the SILC data. Apart from already agreed indicators on employment security which we briefly discuss, for the definition of these indicators we will especially focus on three other types of indicators as requested by the Commission:

1. The definition of transition indicators dealing with changes in *income security* for people moving from benefits to employment and vice versa.
2. The definition of *work-life balance* indicators. Indicators to monitor work-life balance are advocated by the EMCO Indicators group in their final report to be further developed (EMCO, 2009).
3. The development of a *monitoring tool* to evaluate the MS’s policies and practices in the flexicurity domain. We devote especially attention to how the ESC (efforts-states-challenges)-model could be used for the monitoring of flexicurity policies.

Due to the economic crisis, the national reform plans for 2008 in the seven countries we originally foresaw in the research proposal to examine on their alignment with

the agreed flexicurity guidelines and principles, were mainly focused on reporting policies to counteract the consequences of the crisis. For that reason the Commission asked us to develop a more general methodology for monitoring focusing on the defining a checklist of subjects and questions that should appear in the national reform plans to be able to act as a tool for monitoring the MS policy.

A FRAMEWORK FOR MONITORING FLEXICURITY (FLC) AND WORK-LIFE-BALANCE (WLB) POLICIES

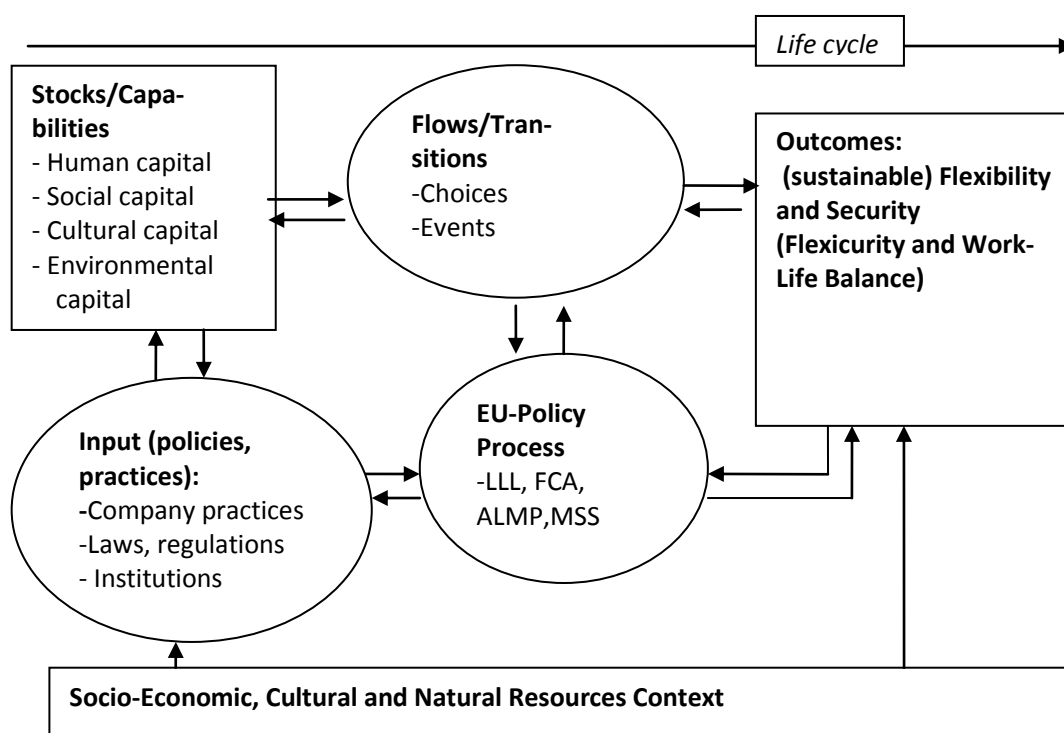
2.1 Flexicurity as a ‘state of affairs’: a ‘stock-flow-outcome’ approach (SFO)

Following Wilthagen (2005) the concept of flexicurity can be understood as a “state of affairs” and as a “policy strategy”. The framework for defining a set of flexicurity indicators as developed by the Indicators Group of the EMCO (the Employment Committee of the Commission) concerns flexicurity as a “policy strategy” (see section 2.2) whereas the ‘stock-flow-outcome’ (SFO) approach, presented here, concerns flexicurity as a “state of affairs” where ‘state’ is not a static but a dynamic concept referring to stocks as well as to flows and outcomes. The SFO approach is believed to be able to act as a useful framework for defining indicators and for monitoring the progress in the performance of countries (i.e. the state of affairs). The stocks reflect the various forms of human and social capital or capabilities which have been build up in the past through investments in education and skill formation, work experience, participation in social activities and social networks, and the flows the transitions and duration in these states (% of people moving in and out of full-time or part-time employment or poverty and the duration of stay in these states). The outcomes with respect to flexicurity are the attained level of the various types of flexibility (numerical, functional) and the various types of security like income, employment or work-life balance security. Below we sketch our SFO framework and approach in more detail.

A stocks-flows-outcomes approach (SFO)

In our view the concepts of flexicurity and work-life-balance (WLB) deal with stocks (capabilities) and flows (investments, transitions), and are therefore intrinsically dynamic. The focus is therefore on changes, short-term and long-term changes over a human’s lifetime, people’s life cycle or the life course. These can only be monitored and analysed in a dynamic and life course framework. The model to examine the situation of flexibility and security and changes therein over time is therefore also dynamic. Secondly, it departs from the idea that outcomes deal with various dimensions, i.e. economic, social and environmental, contributing to the flexicurity balance for people. From a conceptual viewpoint, the ‘input-process-output’ model (IPO) as suggested by the EMCO indicators group (2008) reflects the “policy strategy” dimension whereas the ‘stock-flow-outcome’ (SFO) approach presented in this section reflects the “state of affairs” dimension of flexicurity (see Muffels & Headey, 2008). It is inspired by the capability approach of Sen and resembles recent work for the French Presidency of the European Union by some Nobel laureates concerning the measurement of well-being (Stiglitz, Sen and Fitoussi, 2009). Capabilities refer to the freedoms or opportunities people have to achieve the things in life they have reason to value most (e.g. Sen, 1993). These capabilities reflect the ‘free choice’ of people and also concern the options people have but never choose for. Hence, capabilities are hard to measure and a direct measure will not be readily available.

Figure 1: Flexicurity as a 'States of Affairs': A Stock-Flow-Outcome (SFO) Approach



Note: LLL=Life-Long-Learning; FCA=Flexible Contractual Agreements; ALMP=Active Labour Market Policies; MSS=Modernised Social Security Systems

Therefore for measurement purposes an indirect yardstick is used indicating the amount of human capital (education, work experience), social capital (contacts, social networks), cultural capital (preferences, values, attitudes) people possess and environmental capital (healthy lifestyle, green resources)¹. The flows and investments represent the streams of income and consumption as well as the functionings (in Sen's words the doings and beings) people derive from their resources and wealth, but also the investments in education and training or in the time spent to caring and in maintaining one's social networks. Outcomes are the attainment of a flexible and inclusive labour market with sustainable levels of flexibility and security and work-life balance.

The SFO framework as depicted in Figure 2.1 departs from an ‘agency-structure’ approach according to which the policy process and the institutions (structure) are assumed to affect the social and economic interactions at the individual level determining the relationship between the amount of stocks, the flows or investment in these stocks and the outcomes with a view to flexicurity and WLB policies. The upper part entails ‘agency’ or the decisions of individual agents, whereas the lower

¹ In the report of Stiglitz, Sen and Fitoussi (2009) the capital notion is explicitly mentioned as a way to measure economic performance and social progress (well-being).

part represents the policy or institutional dimension together with the socio-economic and environmental resources context forming the 'structure' part.

The set of indicators to be developed now have to deal for the *agency* part with stocks, flows and outcomes and for the *structure* part with input, process indicators and output indicators. The agency part translates into the so-called 'Stocks-Flows-Outcomes' or SFO-approach (this section) whereas the structure part translates into the so-called 'Efforts-States-Challenges' or ESC approach (see section 2.2).

Defining indicators using the SFO framework

The SFO approach has been used to define a broad set of dynamic indicators. In the extended 'flexicurity' matrix of Wilthagen five forms of flexibility and seven forms of security were distinguished (see Annex 1, table A1). That resulted in an extended list of dynamic indicators on flexibility and security which are reported in Chung et al., (2009). A distinction was made between institutional and static (stocks) and dynamic (flows) outcome indicators. The dynamic outcome indicators were further distinguished into 'flows-transition', measuring yearly changes, and 'flows-duration' outcome indicators, measuring changes over a longer period of time. In Tables 2.1 and 2.2 we present a list of institutional and outcome indicators for respectively the flexibility and security domain that can be seen as the result of the application of the stock-flow-outcome (SFO) approach.

The use of this SFO framework might have implications for the type of indicators to be used. With a view to monitoring dynamics, indicators might be added which are not restricted to year-to-year transitions from one state into another but which are able to monitor the probability of a transition dependent on the residence or duration in the origin state. From research it is known that the mobility rates (exit and entry rates) are often conditional on the length of the spell (due to duration or path dependence). This translates then e.g. into a measure for the probability to enter employment conditional on stay in unemployment for one or more years.

One step further than to develop annual transition measures conditional on elapsed duration in an origin state would be to define these transition-duration indicators over a longer period say the short-term up to 5 years, the medium-term up to 10 years or the long-term up to more than 20 years but that poses strong demands on the data which are not readily available for the 27 EU member states.

Table 2.1 Defining various types of ‘flexibility/mobility’ indicators: ‘institutional’, static (stocks) and dynamic (flows) ‘outcome’ indicators

	Institutional indicators	Outcome indicators		
	<i>Static</i>	<i>Static (stocks)</i>	<i>Dynamic (flows-transitions)</i>	<i>Dynamic (flows-duration)</i>
<i>F1. Numerical, internal</i>	<ul style="list-style-type: none"> • Laws/regulations on PT work • Law/regulations on WTA 	<ul style="list-style-type: none"> • % of workers in PT jobs • % of workers in WTA 	<ul style="list-style-type: none"> • Working hours mobility • Working time mobility 	<ul style="list-style-type: none"> • Duration in part-time spells • Duration in WTA
<i>F2. Numerical, external</i>	<ul style="list-style-type: none"> • EPL for permanent and temporary contracts and dismissal procedures • Supply of non-standard contracts 	<ul style="list-style-type: none"> • % of labour force in non-standard jobs by type 	<ul style="list-style-type: none"> • Contract mobility • Mobility from temporary into permanent jobs, 	<ul style="list-style-type: none"> • Duration in contract spell
<i>F3. Functional, internal</i>	<ul style="list-style-type: none"> • Opportunities for internal functional mobility 	<ul style="list-style-type: none"> • % of workers changing jobs internally • % of workers moving upwards or downwards on the internal occupational ladder 	<ul style="list-style-type: none"> • Internal job-to-job mobility (functional mobility) 	<ul style="list-style-type: none"> • Duration in internal job spell
<i>F4. Functional, external</i>	<ul style="list-style-type: none"> • Labour law/regulations • Opportunities for employment in these types of jobs 	<ul style="list-style-type: none"> • % of workers in such jobs 	<ul style="list-style-type: none"> • Voluntary and involuntary external job-to-job mobility (employer’s change) 	<ul style="list-style-type: none"> • Duration in voluntary/involuntary external job spell
<i>F5. Wage flexibility</i>	<ul style="list-style-type: none"> • Laws/regulations on (minimum) pay • Type of pay systems • Characteristics of wage bargain 	<ul style="list-style-type: none"> • % of workers in various pay systems • % coverage of workers in wage bargain 	<ul style="list-style-type: none"> • Inflow/outflow in various pay systems • Upward/downward wage/income mobility • Average change in wage/income for movers 	<ul style="list-style-type: none"> • Duration in pay system • Duration in various wage/income brackets (low pay; middle pay; high pay)

* WTA Working time arrangements; PT=Part-time job

Table 2.2 Defining various types of transition security indicators: static versus dynamic outcome indicators

Type of security	Description/definition	Static indicator	Dynamic indicator (transitions)	Dynamic indicator (duration)
1. Job security	<ul style="list-style-type: none"> • Security of employment in current job 	<ul style="list-style-type: none"> • % of workers with short and long tenure 	<ul style="list-style-type: none"> • % voluntary/involuntary job-to-job mobility 	<ul style="list-style-type: none"> • Average duration of completed job spells (job tenure)
2. Work security	<ul style="list-style-type: none"> • Safe/ Healthy workplace 	<ul style="list-style-type: none"> • % serious accidents at work • % sickness leave 	<ul style="list-style-type: none"> • % inflow in serious accidents • % inflow in sickness leave 	<ul style="list-style-type: none"> • Average duration of sickness absence due to accidents
3. Employment security	<ul style="list-style-type: none"> • Security of employment 	<ul style="list-style-type: none"> • Employment/Participation rates by age, skill level, sex • Unemployment rate by age, skill level, sex 	<ul style="list-style-type: none"> • Weighted % Entry - % Exit out of various employment statuses 	<ul style="list-style-type: none"> • Length of intermittent unemployment spells • % Entry and % Exit (un)-employment conditional on duration
4. Wage/Income security (after transfer income)	<ul style="list-style-type: none"> • Fair/equal pay • Safeguarding income against social risks 	<ul style="list-style-type: none"> • Hourly wage or compensation as % of average pay • Replacement rates for short and long durations of transfer dependency • % of workers in low-wage and/or poverty 	<ul style="list-style-type: none"> • % Exit and % Entry into low-wage or poverty • % income reduction to previous wage (repl. rates) • Transitions into and out of low-wage and poverty 	<ul style="list-style-type: none"> • Stability of wage/income (coefficient of variation of pay/income over time) • Duration of stay in low-wage and poverty by employment status
5. Employability security	<ul style="list-style-type: none"> • Opportunities to acquire and maintain skills 	<ul style="list-style-type: none"> • % of workers in life-long learning or training 	<ul style="list-style-type: none"> • % worker's inflow and outflow in LLL or training programmes • % workers moving into permanent employment after training 	<ul style="list-style-type: none"> • Average length of stay in LLL or training as % of current tenure • Duration of stay in job following training

(Table 2.2 continued)

6. Representation security	<ul style="list-style-type: none"> • Protection of collective voice through worker's representation and trade unions/ employer organisations 	<ul style="list-style-type: none"> • % worker/firm's membership of unions/employer's organisations / % workers/firms covered by wage bargain 	<ul style="list-style-type: none"> • % worker's/firm's inflow and outflow of membership of unions/employers organisations 	<ul style="list-style-type: none"> • Average duration of membership
7. Work-life balance or combination security	<ul style="list-style-type: none"> • Availability of child care relief, working time and care/education leave options (WTO) according to needs 	<ul style="list-style-type: none"> • Number of hours spent to care • % of men/women at work and working part-time • % of men/women stop working and reducing hours due to caring duties • Number of child care relief places in firms as % of workers • % of workers and firms using WTO 	<ul style="list-style-type: none"> • Change in hours care due to childbirth • % of inflow/outflow of workers using child care options • % of inflow/outflow in PT work due to child care • % of inflow/outflow of workers and firms using WTO 	<ul style="list-style-type: none"> • Average duration of care-giving • Average duration of use of child care relief places • Average duration of use of WTO • Average duration of spells of non-work and hours reduction in working time due to child-care

Source: For the definition part (first two columns) reworked from Standing, 1999; Wilthagen; 1998; 2004, own additions

The OECD for instance calculates theoretical replacement rates for people moving from paid employment into short-term unemployment, or into longer-term unemployment (for a maximum of 5 years) with or without inclusion of social assistance benefits. They are however not based on real micro-level data but on simulations derived from the official benefit regulations. One might however also use real micro-level data derived from e.g. SILC to calculate replacement rates from the wage and income information provided in the data. However, SILC permits this for the short term only since SILC as a rotating panel has a short time horizon of four years only.

From a life course perspective states are considered to constitute a series of sequences over the life-course and since people combine different states (e.g. work and care or work and education) at the same time in each stage of the life course, the life course can be represented by sequences of state combinations. A further broadening of the set of dynamic indicators therefore deals with the inclusion of so-called lifecycle or life course (input and process) indicators, measuring the access to and take-up of options people have over their life course to combine different types of activities during the various stages. Defining output indicators for the work-life balance therefore also entails defining indicators for the transitions between various state combinations. The challenge will be to define a list of state and flow indicators bringing the work-life balance into picture but which are easy to understand and to use.

On request of the Commission the focus has been on defining dynamic outcome and in particular transition indicators for the domains of Flexible Contractual Arrangements (FLCA) and Modern Social Security Systems (MSS), in particular concerning income security and the work-life balance which are not yet worked out by the EMCO indicators group. However, because flexicurity policies concern all four domains and the aim is to elaborate a methodology for monitoring we decided to define also transition outcome indicators for the other two domains of Life Long Learning (LLL) and active labour market policies (ALMP) using our micro-level data. In chapter 4, we elaborate a set of feasible indicators on all four domains using the SILC data for 2003-2006/2007.

2.2 Flexicurity As A Policy Strategy: The Effort-State-Challenges Approach (ESC)

In 2.1 we already explained our 'stock, flow, outcome' (SFO) model acting as a heuristic device to identify indicators on flexicurity and work-life-balance as a "state of affairs". In this section we explain how we can identify "flexicurity as a policy strategy". A special emphasis is given to the type of indicators needed to monitor the effects and progress of Member States' policies on flexicurity and WLB outcomes. We first review the framework developed by the EMCO indicators group which is developed to be used for monitoring of flexicurity "as a policy strategy". After that we explain the ESC approach and compare this approach to the EMCO indicators group's framework. Lastly, we show how the ESC approach could be used to monitor the member states policies and practices on the EU flexicurity guidelines and their reporting in the National Reform Plans.

2.2.1 Existing and proposed indicators by EMCO

In the first progress report of the Indicators Group of EMCO of 2007 a framework for defining indicators on these eight guidelines has been developed (EMCO, 2007). The framework is also used in the final 2009 report (EMCO, 2009) where the EMCO indicators group made a valuable attempt to define indicators on all these guidelines and to map out countries using the methodology of *radar charts* on the four policy domains from the scores on the various indicators in each domain.

The EMCO framework is designed for the purpose of policy evaluation and distinguishes between input -including institutional, or policy oriented indicators-, process indicators showing how many people are subject to policy interventions and output or outcome indicators aimed at monitoring the performance of member states on the interventions. Following Wilthagen (2005) the concept of flexicurity can be understood as a “state of affairs” and as a “policy strategy”. The EMCO framework concerns flexicurity as a “policy strategy” whereas the ‘stock-flow-outcome’ (SFO) approach, presented in 2.3, concerns flexicurity as a “state of affairs”. In Table 2 we list the indicators as they are developed in the course of time in the EES. We include also the proposed indicators as they are formulated in the final EMCO-Indicators Group report of 2009 to supplement the EES indicators. The official and key EES indicators are in bold. Each indicator refers to a number-letter combination as defined in the official classification of the EES guidelines included in Annex 3. Viewing the set of EES indicators and the suggested EMCO-Indicators Group indicators in Table 2.1 and Table 2.2, a number of observations can be made:

Increasingly so the EES system contains dynamic indicators measuring the rate of transition from one state into another on the labour market whereas in the past the majority of these indicators was static. Tables 2.1 and 2.2 mention a number of dynamic transition indicators such as the transitions by employment contract (permanent, temporary, part-time), labour status (employment, unemployment) and pay level. The EMCO Indicators Group proposes to further extend the list of dynamic EES indicators to consider a wider range of transitions such as between work and various forms of non-work activities, between jobs of different quality, and especially between different combinations of work and non-work activities such as caring and life long learning.

The institutional or input indicators as defined by the EMCO Indicators Group should not only deal with the availability of policy measures or how many people have access to a particular measure or arrangement but also with the take-up rate. Some of the proposed (process) indicators indeed aim to look at the take-up rate, i.e. the fraction of all people in the risk group that is entitled to the arrangement and that has actually used it.

The EMCO report discusses the idea of a composite indicator for all four domains that it considers less appropriate for the purpose of monitoring due to the inherent difficulty of interpretation. Composite indicators have the disadvantage that apart from the interpretation problem, the normalisation method (to be able to compare the outcomes across different settings) and the weighting scheme implied, involve rather arbitrary choices (OECD/JRC, 2008). On the other hand composite indicators, e.g. on job quality, have the advantage to provide comprehensive summary indicators on the relative performance of countries on a particular domain which is particularly useful for analytical purposes (e.g. for multivariate analyses) when the number of countries (e.g. EU27) is limited. Radar charts as proposed by the EMCO Indicators Group have the advantage to provide a more detailed picture of the country’s performance on each single underlying dimension making them very

useful for showing the MS policy performance on each domain but are difficult to use when the list of indicators to be measured and monitored is large such as in the case of modern social security systems or job quality (see annex A2.1).

The EES indicators defined so far focus more on numerical external flexibility and security and, less so on numerical internal or functional internal flexibility and security. The EMCO indicators group acknowledges this gap and therefore suggests the development of indicators on working time arrangements and on work organisation and job quality.

In the final report EMCO proposes two indicators in the first step, one dealing with employment security associated with transitions between employment contract statuses from one year to the next and one with employability security and life long learning transitions within employment combined with pay decile changes. The idea is to calculate the proportions of people staying, moving upwards or downwards in terms of employment and pay level security (see Table 2.2).

The EMCO group used the IPO (input-process-output) model to arrive at these indicators but was aware of one drawback, that is that outcomes in terms of flexibility and security (state of affairs) are not only associated with the impact of policies but also with the impact of 'agency' and individual behaviour in society and with the broader socio-economic/cultural/environmental context. The causal effects of policies are therefore hard to disentangle from the agency and contextual effects. The efforts-states-challenges approach that is explained in 2.2.2 is meant to deal with that problem, at least partially.

Table 2.3: EES indicators and indicators proposed by the EMCO-Indicators Group (2008, 2009)

	Input indicator	Process indicator	Output indicator
<i>FCA-Flexible, contractual arrangements</i>			
<ul style="list-style-type: none"> EES 	<ul style="list-style-type: none"> Access to flexitime 21.A4 	<ul style="list-style-type: none"> Diversity and reasons for contractual and working arrangements 21.M2 Employees with overtime work 21.A3 	<ul style="list-style-type: none"> Transitions by type of contract 21.M1 Over-time hours 21.A3
<ul style="list-style-type: none"> EMCO 	<ul style="list-style-type: none"> OECD's Index of strictness of EPL Including wage bargain indicators in EPL Monitoring of contractual arrangements 	<ul style="list-style-type: none"> % Workers in each type of contract (permanent, voluntary fixed-term, part-time) 	<ul style="list-style-type: none"> Transitions by type of contract Frequency of persons with at least the same employment security as previous year
<i>LLL-Life long learning</i>			
EES	<ul style="list-style-type: none"> Public spending on human resources 23.M1 Investment by enterprises in training of adults 23.A1 	<ul style="list-style-type: none"> Lifelong learning (age 25-64) 23.M4 Participation in continuous vocational training, 23.A2 	<ul style="list-style-type: none"> Transitions (labour status, pay level) 17.A4 & 18.A8 Educational attainment of adults 23.A3 E-skills 24.A2

(Table 2.3. continued)

EMCO	<ul style="list-style-type: none"> Access rules to LLL, rules for 'second chance' education/training 	<ul style="list-style-type: none"> Improved participation measures in LLL/CVT 	
Active LMP			
<ul style="list-style-type: none"> EES 	<ul style="list-style-type: none"> Expenditure on LMP-measures per person wanting to work 19.A6 Expenditure on LMP-measures as % of GDP 19.A5 	<ul style="list-style-type: none"> Activation/Support (regular and assisted activation) 19.M2 New start/Prevention 19.M3 Activation of registered unemployed 19.A3 	<ul style="list-style-type: none"> Follow up of participants in regular activation measures 19.A4 Public Employment Services (PES) follow-up indicator on training measures
<ul style="list-style-type: none"> EMCO 	Idem	Idem	Idem
MSS-Modern social security systems			
<ul style="list-style-type: none"> EES 	<ul style="list-style-type: none"> LMP expenditure on supports per person wanting to work 19.A8 LMP expenditure on supports as % of GDP 19.A7 Unemployment trap 19.M7 Low wage trap 19.M6 	<ul style="list-style-type: none"> Activation/Support (support) 19.M2 	<ul style="list-style-type: none"> At-risk of poverty of the unemployed. SPC SI-S1c
<ul style="list-style-type: none"> EMCO 	<ul style="list-style-type: none"> Access rules to benefits 	<ul style="list-style-type: none"> Coverage of certain benefits for persons in atypical contracts 	<ul style="list-style-type: none"> In-work poverty risk by type of contract Dynamic measure for transitions from work to inactivity
Reconciliation work-private life			
<ul style="list-style-type: none"> EES 	<ul style="list-style-type: none"> Child care 18.M3 Care of dependant elderly 18.A7 (access to care arrangements for children and dependent elderly) Inactivity trap after child care cost (lone parent with children) SPC-OV 9b 	<ul style="list-style-type: none"> Employment impact of parenthood 18.A5 (Employment rates for women and men without and with young children) 	<ul style="list-style-type: none"> Lack of care for children and other dependents 18.A6 (Share of persons who do not work or who work less because of lack of suitable care facilities). Drop in theoretical replacement rates due to career interruptions. SPC. PN P4.
<ul style="list-style-type: none"> EMCO 	<ul style="list-style-type: none"> Life-cycle arrangements 	<ul style="list-style-type: none"> Workers combining parenthood and work Workers combining partial retirement and work 	

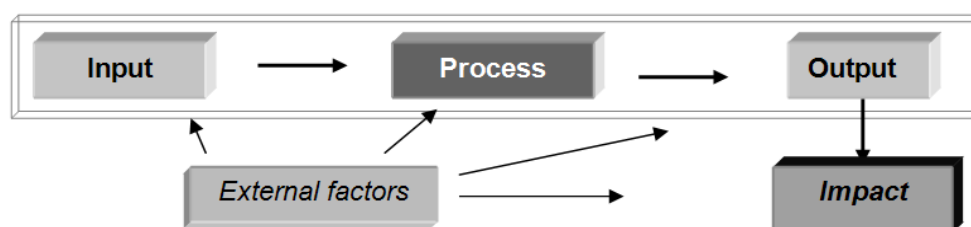
Note: The numbers and letter combinations of each indicator refer to the guideline number and the indicators for monitoring (M) or analysis (A) as listed in table A2.3 in Annex 2.

Source: Derived from EMCO Progress Report, 2008 and EMCO Final Report, 2009

2.2.2 The 'Efforts-States-Challenges' (ESC) approach

The ESC approach could be understood as an extended version of the input-process-output model used by EMCO. The EMCO model is similar to the elements of the notions of the policy chain or policy cycle, concepts that are being used frequently in many policy evaluation studies (Spicker, 2006; Castonguay, 2009). Unlike the EMCO model, Castonguay's (2009) model consists of input, process, output, as well as impact. As we can see here, output and impact is distinguished: output is the direct product of the programme whereas impact is the effect of policies on the participants and their positions. The model also defines external factors outside the authority of the policy maker affecting the policy chain such as macro-economic (e.g. credit crunch), political (parties in power), juridical and geographical contextual factors including regional disparities in labour market conditions. The model is not causal, it enumerates the elements of the policy chain that need to be addressed in defining flexicurity indicators for monitoring policies in this domain.

Figure 2.3: The elements of a policy chain



Source: Castonguay, 2009

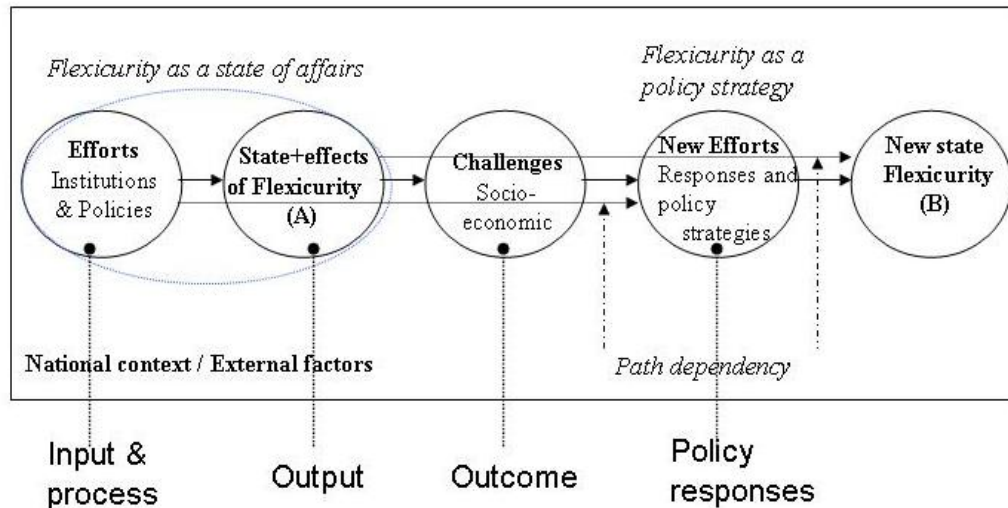
Based on these elements, the distinction is made between efforts, states, and effects to capture the various stages at which flexicurity policies can be measured. The *input and process* part translate into an 'institutional and policy efforts' part with a view to the role of institutions and policies. Institutional and policy efforts can be examined through viewing *practices of all relevant actors to enhance flexibility and security in a country*. This includes arrangements and institutions as embedded in laws (e.g. Employment Protection Legislation (EPL); regulation of minimum wage; regulation of part-time work) and policies but also practices of various actors at various levels such as companies (working time and holiday arrangements).

The second phase in the policy chain concerns the results of these efforts (equivalent to 'output' in Castonguay's framework) which relates to the actual *state* of flexibility and security, using the extended matrix in Table 1.1. This entails the assessment of *how flexible and how secure* individuals and companies are in a particular country.

The *challenges/effects* in our framework are equivalent to the 'impact' stage in the policy chain framework. Here the challenges are not the direct or sole outcomes of the flexicurity efforts, but pertain to the indirect outcomes or wider impact mediated through policies, the national context and external factors such as those raised by low fertility rates or adverse economic shocks (such as the credit crunch). This model is similar to the 'EMCO indicators-group' input-process-output model, though reformulated to reflect the dynamics of policy formulation more explicit in the policy chain approach. It also takes account of the impact of

path dependency in the policy learning process. Policies may tend to change incrementally due to the fundamental inertia in the institutional/organizational context, which is considered to be strongly path dependent.

Figure 2.4: Flexicurity as a Policy Strategy: the Efforts-States-Challenges (ESC) Approach



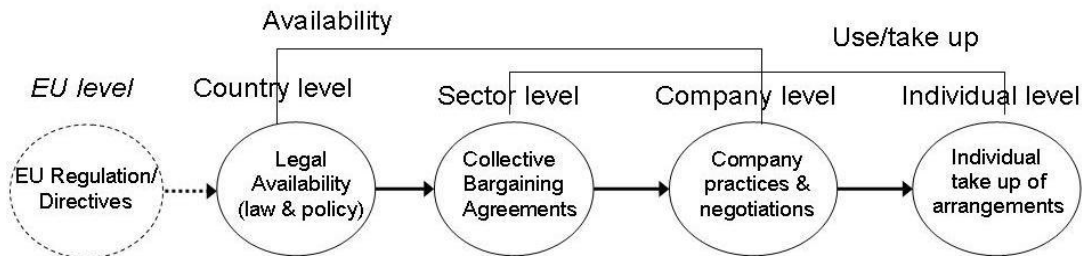
The relationship of the various stages is as follows. Efforts made with a view to flexicurity/WLB will lead to outcomes or effects that impact the state of flexicurity which will subsequently pose challenges to the member states. These challenges of the welfare state along with past institutional characteristics induce new efforts, which are responses and policy strategies to meet the challenges of a country. The new efforts then result in a move from state A to a new state B.

Levels of implementation

In addition, in the ESC approach, various levels of implementation are considered. Flexicurity policies can be observed within national as well as international governance systems, but they can also emerge at the sector and company level (Wilthagen, 1998; Klammer and Tillman 2001; Wilthagen and Tros, 2004). Wilthagen and Tros emphasise the need for a multi-level approach because “although policies and strategies may appear to have primarily locus at the national, local or sector level, *the interplay between other levels of regulation and policy making- the European national and company level- will be crucial to their actual design, support and implementation.*” (Wilthagen and Tros, 2004; 183). Thus, we can identify five levels in which flexicurity policies can take place: the EU, country, sector or region, company and the individual level. Firstly, there is the supranational level, where regulations are implemented through European Union Directives, such as the Working Time Directive, and through the open method of coordination (OMC), as in the European Employment Strategy (EES). Secondly, there is the national level, where flexicurity is implemented via universal application of statutory legislation, such as labour laws and other related social security laws and policies. Thirdly, there is the branch or industry level at which regulations are implemented through collective bargaining applying to a range of firms or sectors. Fourthly, there is the company level, where regulations are implemented through corporate policies and both formal and informal bargaining between the individual employer and employees. The fifth and final level is the individual level, which includes the take up of

particular arrangements by an individual. The practices at the individual level materialise when the individual makes efforts to enhance their own flexibility or security, or when he or she actually decides to take up a certain flexibility or security arrangement. Admittedly, this take up is not always voluntary and can also be enforced by the company.

Figure 2.5: Various levels of flexibility and availability/take-up of options



Different outcomes will be observed dependent on the scope of levels that are included in the analysis. For example company levels are important in the analysis of flexicurity, since, companies might not behave according to the legal or collective agreements made at the sector level. Companies might follow their own flexicurity strategy and might act rather autonomously from their institutional contexts (see Chung, forthcoming; Bredgaard and Tros, 2008). Although we can measure the flexibility state of a sector/region, country, or Europe as a whole, it requires aggregation of the behaviour of individuals and companies.

2.3. ESC and the monitoring of MS reporting on Flexicurity policies

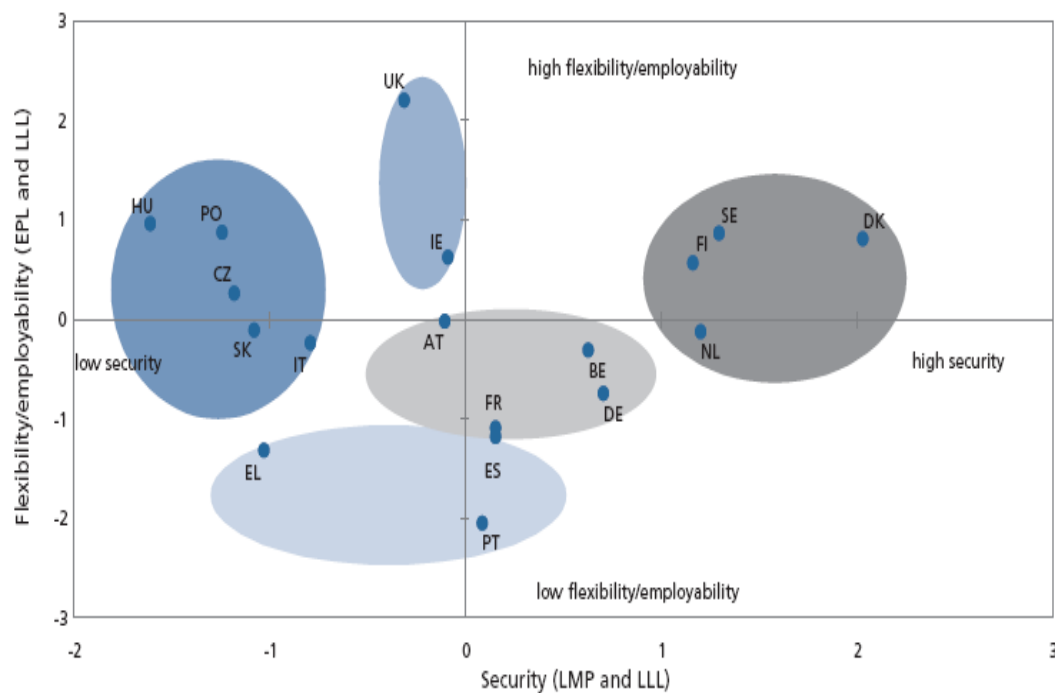
One of the principal goals of this study is to develop a methodology for the monitoring of MS policies on FLC/WLB. We believe that the ESC framework might be a valuable tool to monitor the MS's reporting exercises. The focus is on the developing a checklist of questions for monitoring the MS's reporting on Flexicurity policies. In Chapter 5 we will explain our methodology for the monitoring of MS's policies and practices.

A REVIEW OF EMPIRICAL AND METHODOLOGICAL STUDIES ON FLEXICURITY INDICATORS

3.1 Institutional and outcome indicators used in the EIE reports

In the 2006 Employment in Europe (EIE) report, the first attempts were made by the Commission to map out the countries according to flexicurity indicators. The indicators used were the EPL index, the percentage of adults in LLL, the expenditures on labour market policies in percent of GDP and the average tax wedge. Three latent factors were derived from the analysis on the set of indicators, which were named the *security* (high loading LLL and LMP spending), the *flexibility* (high negative loading of EPL, high loading of LLL) and the *tax distortions* (high loading of the tax wedge) factor. The countries were mapped out as in Figure 13. The results show five distinct country clusters: the Continental (AT, BE, DE, FR), the Eastern (CZ, HU, IT, PO, SK), the Nordic (DK, FI, NL, SE), the Mediterranean (EL, PT, ES) and the Anglo-Saxon (IE, UK).

Figure 3.1. Country grouping according to the European Commission in Employment in Europe Report 2006



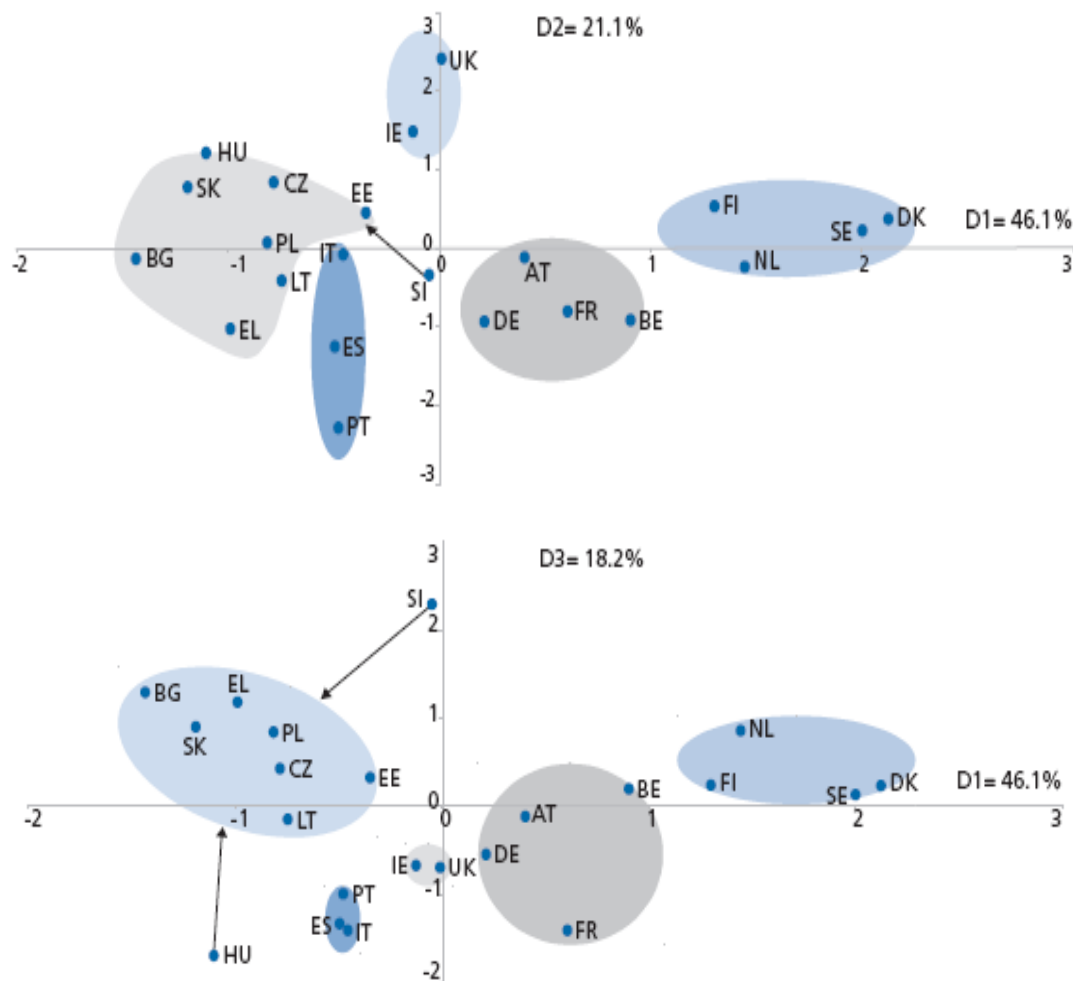
Source: European Commission, 2006 (Chapter 2, Figure 6)

The Anglo-Saxon cluster shows a high degree of flexibility and a relatively low security with low taxation. The Continental group show intermediate to low flexibility, intermediate to high security, and intermediate to high taxation. The Mediterranean group shows low flexibility, relatively low security and no patterns on taxation, whereas the Eastern with Italy, shows insecurity, intermediate to high flexibility, and intermediate to high taxation. Lastly, the Nordic group, with the Netherlands included, can be considered the flexicurity group, with high security, intermediate to high flexibility, and intermediate to high taxation (EC, 2006).

In addition to the 2006 EIE report new evidence was published in the 2007 EIE report. However, this time the focus has been on internal flexibility, that is, working time and internal functional flexibility. They used information from the 2005 European Working Condition's Survey to construct indices of internal flexibility. Using these indices plus the set of indicators used in the previous report but excluding the tax wedge, they arrived at three components of flexicurity. The first component was named '*advanced forms of internal flexibility and security*' which had high loadings of the flexible working time arrangements, the work autonomy and the task complexity, the level of LMP spending and the participation in LLL or education. The second component was named the '*external flexibility*' component, with high positive loadings of the work intensity and working on irregular working times indicated by the so-called irregularity (WII) index and with high negative loadings of the EPL index. Lastly, they mentioned the '*basic forms of functional flexibility*' component, which is also positively correlated to irregular working times, job rotation and team work. The country groupings derived from these components were similar to the outcomes of the EIE 2006 report, although there were slight changes in the Southern and Eastern European clusters. Firstly, there is the Continental group (AT, BE, DE, FR) with intermediate to high levels of internal flexibility and security, while having relatively low levels of external flexibility and intermediate to low levels of functional flexibility. Secondly, the Eastern transition group (BG, CZ, EE, HU, LT, PO, SK, SI) along with Greece (EL) with low levels of internal flexibility and security, and medium but spread levels of external flexibility, and intermediate to high levels of functional flexibility, with the exception of Hungary which shows low levels of functional flexibility. Thirdly, the Nordic country group (DK, FI, SE) with the Netherlands (NL) showing high levels of internal flexibility and security and intermediate levels of both, external flexibility and functional flexibility.

The Mediterranean group (ES, IT, PT) shows low levels of internal flexibility and security, intermediate (IT) to low (PT) levels of external flexibility, and low levels of functional flexibility. Lastly, the Anglo-Saxon group (IE, UK) shows intermediate levels of internal flexibility and security, high levels of external flexibility, and rather low levels of functional flexibility, based on the EIE-2007 outcomes.

Figure 3.2. Flexicurity country groupings according to the Employment in Europe 2007 report



Source: European Commission 2007a (Chapter 3, Chart 64)

Mapping countries through using radar charts: the EMCO Indicators Group

Another way of mapping countries is through using radar charts which allows visualising the scores of countries on different domains of flexicurity and work-life balance policies compared to a benchmark. An example for the Netherlands is given below. The information is derived from the final EMCO report (EMCO, 2009).

Figure 3.3.1: Radar charts on flexicurity input indicators, figures for the Netherlands
(the letter E represents the EU27 average in the second year), 2005-2006

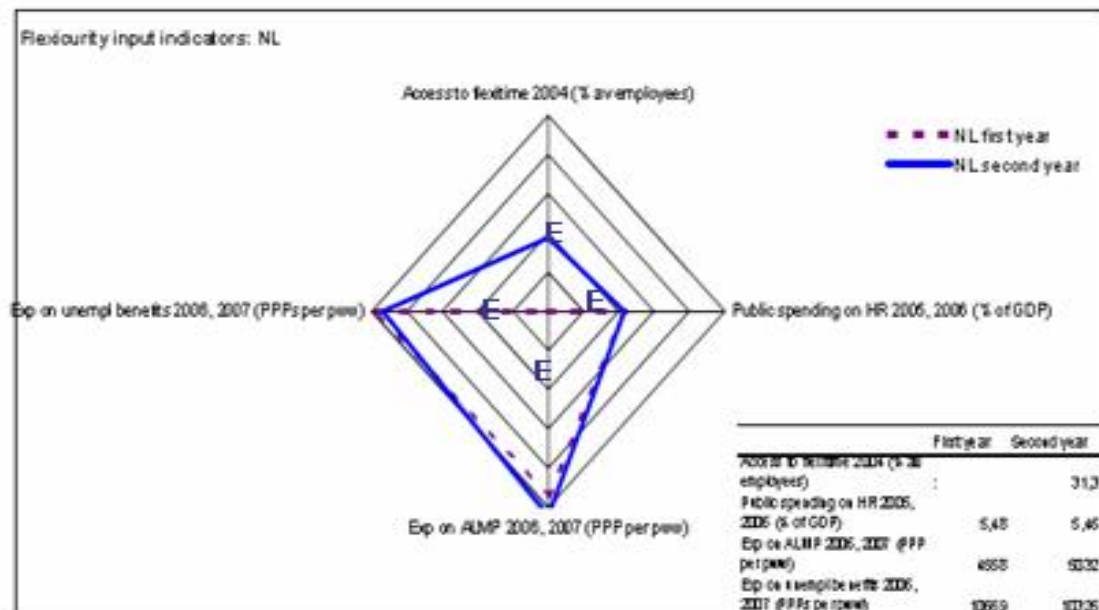
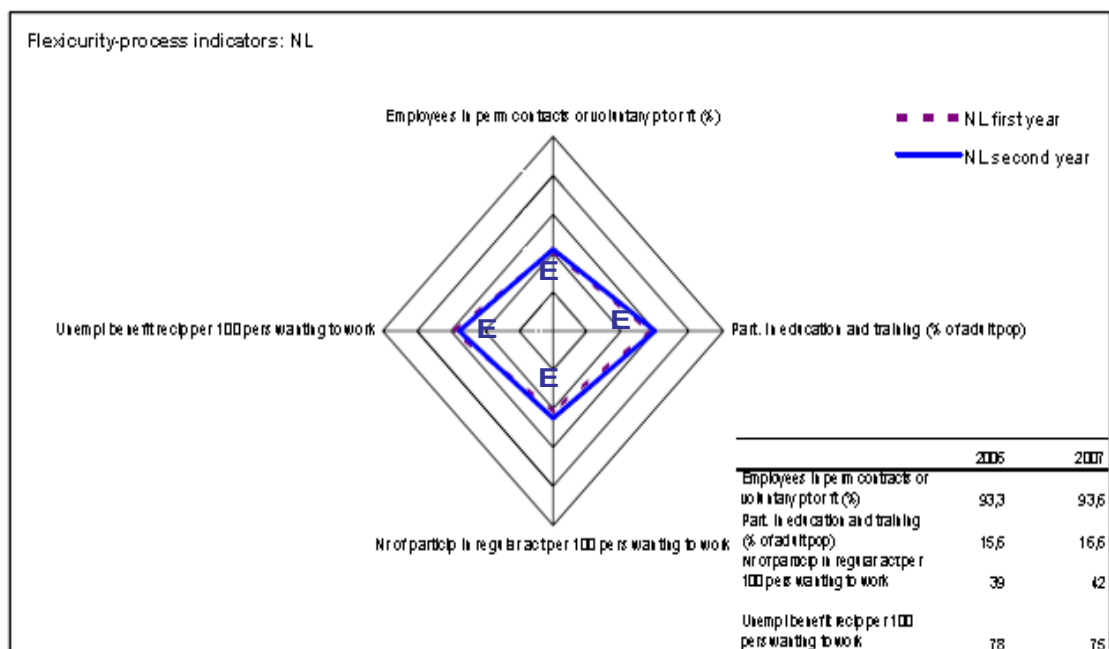


Figure 3.3.2: Radar charts on flexicurity process indicators, figures for the Netherlands
(the letter E represents the EU27 average in the second year), 2005-2006



Source, EMCO, 2009

The benchmark can be the best performing country on each separate domain or the average score for EU15 or EU27. In their 2009 final report the EMCO Indicators Group presented these radar charts to map out the countries on how they perform on a set of four input and four process indicators. The results for one country, here the Netherlands, are presented in Figures 3.1 and 3.2. The input indicators considered in this charts are: access to flexitime (in 2004), expenditure on passive LMP, i.e. unemployment benefits in 2005 and 2006 in purchasing power parities per person wanting to work, expenditures on active labour market policies and public spending on human resources policies (life long learning) as a percentage of GDP. The process indicators are: the number of unemployment benefit recipients per 100 persons wanting to work, the percentage of employees working in a permanent or voluntary part-time or fixed-term contract showing the proportion of employees in “good” contracts, the percentage of the adult population in education and training, and the number of old persons in regular activation measures (training, employment incentives etc.) per 100 persons wanting to work.

The radar charts are calculated using a common scale for all countries for which reason it is possible to indicate the EU27 average in the graphs by the letter E. Generally, a point further from the origin represents a higher score on each indicator. The chart further shows the changes between 2005 and 2006, which are rather small for the Netherlands. The number of unemployment beneficiaries as well as the number of persons in activation measures is decreasing due to a favourable economic situation. The chart also shows that the Netherlands is performing best on active and passive labour market policies. In addition, the Netherlands is performing quite well in terms of investments in life long learning and education and training as well. However, it performs less favourable in terms of flexitime arrangements.

3.2. Composite institutional indicators

The analyses and mapping of countries in the various EIE reports were based on a large set of single indicators on various domains but also on factor and component scores combining a variety of indicators with high loadings on each component. To understand the structure of the data better multivariate analyses and in particular data reduction techniques have been employed such as factor and principal components analysis (PCA) on indicators and cluster analyses on countries. Their purpose is to reduce the dimensionality of the data without losing relevant information. They allow clustering indicators into one or more underlying latent factors or components and countries into several policy or regime types. The type of indicators loading high on a particular factor or component reveals what latent theoretical construct or concept is measured by the combination of these indicators. The factors or components represent therefore composite indicators for the latent concept that it seems to measure. In the second step cluster analysis is then used to cluster countries based on these factor or component scores. The use of these multivariate analysis techniques is just one though an important one of the ten steps distinguished in the literature to construct composite indicators (1.theoretical framework; 2. variable selection; 3. imputation of missing data; 4. multivariate analysis; 5. normalization; 6. weighting and aggregation; 7. uncertainty and sensitivity analysis; 8. back to the data; 9. Links to other indicators; 10. visualisation of the results). The composite indicator (CI) methodology is developed jointly

by the OECD and the JRC and explained very clearly in their 2008 OECD/JRC report (see Nardo et al., 2008).

Construction of composite indicators

The CI method has already been applied to construct for three of the four domains composite indicators, not yet for flexible contractual arrangements, but for life-long learning, active labour market policies and modern social security systems. On ALMP 16 single indicators derived from Eurostat's Labour Market policy Database were selected to construct a composite indicator on active labour market policies for 2004 to 2007. The Netherlands scored very well but not very robustly across the various indicators and for these years between the second and fourth ranking position confirming the evidence presented before in the radar charts (cf. Mascherini & Manca, 2009). Also for life long learning a composite indicator was calculated based on 9 indicators though for one year only (2005). Again it turns out that the Netherlands perform very well with the fifth rank and best performance on the indicator measuring the proportion of companies providing continuous vocational training courses (Mascherini, 2008). Also on the third domain of Modern Social Security Systems a composite indicator based on 20 indicators was composed showing intermediate-to-upper scores for the Netherlands, ranking 11th in 2005, 12th in 2006 and 6th in 2007 whereas Denmark, Portugal and Belgium reach the highest scores in 2005 and 2006 and Belgium, Spain and Portugal in 2007 (Governatori, Manca and Mascherini, 2009). The indicators used were all static institutional indicators though measured for one or more years, measuring the policy input (e.g. GDP spending) or the policy process (participation in training) according to the framework of EMCO. The approach is useful to see the rankings of country's policy efforts and changes in the rankings over time or its variability based on a set of existing policy indicators.

Relation to ESC approach

The focus in the CI approach is on policy efforts and not on states or outcomes and challenges as in the ESC approach. Outcome indicators are not only associated with policy efforts but also with the broader socio-economic context. It means that these indicators capture only the efforts part of flexicurity seen as a policy strategy but not the states or outcomes and challenges part (that arises by confronting efforts and outcomes), as in our Efforts-States-Challenges or ESC approach.

Relation to SFO approach

The CI approach uses mainly static (policy) indicators but not dynamic indicators based on information on changes, transitions and flows. The CI approach departs from using composite indicators whereas the SFO approach has no a priori preference for using single or composite indicators. Both might be useful dependent on the sort of information that is needed for assessing the performance of countries on the various EES dimensions. For monitoring single EES guidelines single indicators might do well whereas for combinations of EES guidelines composite indicators are possibly needed. A further difference is associated with the use of the indicators for analytical purposes. The CI approach is useful for mapping countries on the various dimensions of policies but cannot explain why countries perform as they do in terms of outcomes since it is based on correlations only. The SFO model on the other hand can use the single or composite institutional indicators as explanatory factors in the models for explaining the variation across countries in outcomes indicated by the

transition indicators. For that reason, for analytical purposes the CI approach is extremely useful to include the composite indicators in the models on transition outcomes. With a limited number of countries the number of indicators that can be included is rather limited because of which the use of a composite indicator is a good alternative compared to using large number of single indicators. For that reason the ESC/SFO approach is not a substitute for what the CI approach is pursuing but complements it for monitoring as well as for analytical purposes.

3.3 Dynamic indicators on flexibility and security

In 2008, the European Foundation further issued a publication titled: “Flexibility and security over the life course” (Muffels et al., 2008). It aims at developing institutional as well as *outcome indicators* and static as well as *dynamic indicators* on labour market mobility and employment security. The institutional indicators were similar to other studies but the outcome indicators were defined rather differently.

Departing from the flexicurity matrix of Wilthagen the focus was in particular on defining indicators for numerical (external and internal) flexibility, mainly dealing with temporary and part-time work, and for income, employment and combination security. The study used the transition indicators on mobility and security that were elaborated in a previous study (Muffels and Luijkx, 2006) which allow assessing changes on the flexibility-security balance of countries over time. A distinction was made between institutional and context indicators, and between static and dynamic outcome indicators. The indicators were further distinguished into short-term and long-term indicators referring to the length of the observation period. These measures were subsequently applied using the evidence from the European Community Household Panel and the European Foundation’s surveys (adding information on working time flexibility) to map out the countries. The measures itself are explained in more detail below.

The flexibility and security measures explained

The dynamic indicators for flexibility deal with the levels of occupational and contract mobility and were based on the in -and outflows, indicated by the annual transition rates, between the various occupational statuses (see for a detailed explanation Muffels and Luijkx, 2008). The indicators for dynamic employment security were based on the in –and outflows or transition rates between the various employment statuses (employed, non-employed) and between employment contracts (an open-ended contract, a temporary contract, a self-employed job). Transitions between employment statuses were classified as secure or insecure assuming that exit from the labour market is a transition into an insecure employment status and entry into a job a transition into a more secure status. Those who stayed employed were considered more secure (entry) and those staying unemployed or inactive more insecure (exit). The gain or loss of security for transitions between the various contracts was based on the average subjective assessment of the level of security for each type of contract (the information came from the ECHP).

Definition and calculation of four dynamic indicators

Four dynamic outcome indicators were defined:

- Occupational mobility (OM)
- Contract mobility (CM)
- Dynamic Employment security (ESD)
- Dynamic Income security (YSD).

Occupational mobility (OM) is the mobility to a higher or a lower occupational class according to the EGP classification scheme of occupations (see Erikson and Goldthorpe, 1992). The panel data used (ECHP) only provide information on occupational class consisting of four categories instead of the original eleven. We use it as a proxy for job mobility as it underestimates the level of job mobility since the mobility of people into another job while staying in the same occupational class (lateral mobility) is not taking into account due to lack of information on job change.

Contract mobility (CM), the second measure, refers to the mobility between different types of contracts (permanent and temporary job, self-employment). Using the information on the transitions between origin and destination contract status across two years the number of workers moving from one of these contract types into another can be calculated. Occupational and contract mobility are treated as separate outcome indicators for the level of flexibility in a country. We will not go into detail here how the measures were calculated. We refer to Muffels and Luijkx for a detailed treatment. With respect to security a measure for dynamic employment security (*ESD*) has been defined. In later work (Muffels and Luijkx, 2008b) a similar measure for dynamic income security (*YSD*)² has been developed as well in which poverty is defined according to the 60% EC's poverty threshold.

Dynamic employment security (ESD) at the individual level is measured by changes in employment security due to changes in the employment status of a person. If a person during two consecutive years enters a permanent job or self-employment from either non-work (unemployment or inactivity) or from a flexible contract, his employment security is increased (entry) and if he leaves a permanent job and moves into a flexible contract, self-employment or into non-work his employment security is reduced (exit). The transition rates between the various statuses are next summed up and weighted with the shares of each employment state.

Dynamic income security (YSD) is similarly defined as the change in income security across two years. Income security is improved if people stay out of poverty or escape from it across two years (entry security) and income security is reduced if people stay in poverty or enter it and become poor (exit security). Again the transition rates are weighted with the shares of each state.

The indicators for mobility/flexibility and dynamic employment and income security were then used to map out the countries. The outcomes of this analysis will not be given here but in Chapter 4 we will report on the definition of these indicators as well as on the calculation of other dynamic indicators using the SILC data for 2005-2006. The findings on the outcome indicators using the ECHP data showed however that the Nordic and the Anglo-Saxon

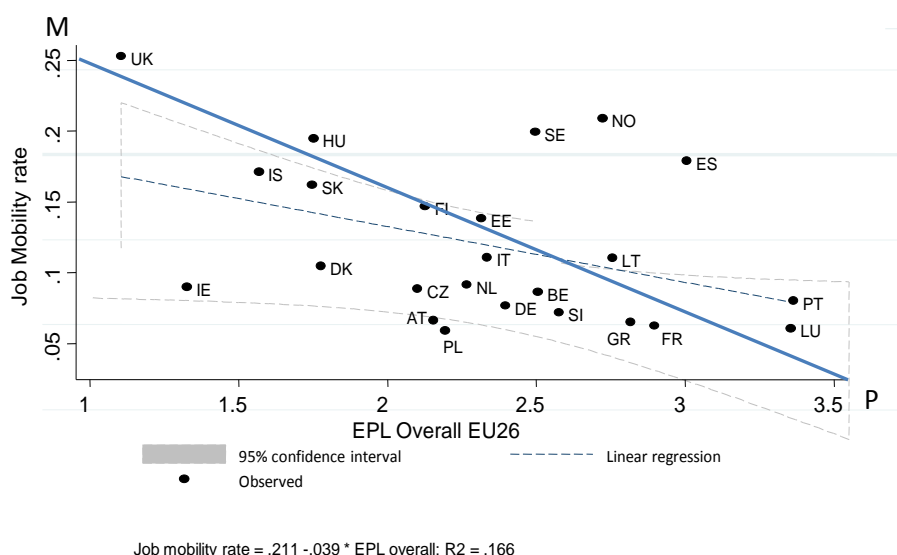
² In the report for the European Foundation the ESD indicator was calculated leaving out the transitions from self-employment into employment or non-work whereas in the later publication the self-employed were again included producing somewhat different results for a few countries. The figures presented in the graphs are based on the latest figures derived from Muffels and Luijkx, 2008b.

countries perform almost equally well with a view to combining a high mobility and a high income and employment security.

3.4 Institutional versus outcome indicators

One conclusion concerning the use of institutional and outcome indicators is that institutional indicators for flexibility indicated by e.g. the EPL indices or Labour Market Policy indicators tell only the regulatory part of the story but not how regulations work out in practice after economic and social interactions have impacted the outcomes. The underlying reason is that actors might not behave in accordance to the norms or regulations and therefore cause unexpected outcomes. For that reason institutional indicators need to be supplemented with outcome indicators to obtain information on the attained level of mobility or flexibility in a country. Figure 3.3.2 shows the negative relationship between EPL strictness for regular jobs and the job mobility rates for people in permanent contracts though the relationship as indicated by the regression line is far from perfect. If the relationship would be perfect all countries would be on the line MP. Many countries are situated above or below this line meaning that they exhibit much higher or lower mobility rates than correspond to the level of their EPL strictness such as Ireland, Denmark, Austria and Poland (lower mobility) and Norway, Sweden and Spain (higher mobility). The high mobility in Spain must be attributed to a high level of contract mobility, the mobility between temporary contract on the one side and permanent contracts and self-employment on the other.

Figure 3.3.2. Relationship between EPL strictness and Job mobility



Source: EU SILC 2003-2006

FLEXICURITY AS A ‘STATE OF AFFAIRS’: MONITORING THE PROGRESS OF MEMBER STATES’ ACHIEVEMENTS ON FLEXICURITY

4.1 Indicators for monitoring

The idea is to apply a limited set of flexicurity indicators and to map the countries using these indicators. The proposal made by the EMCO indicators group (see Table 2.2 on page 15) for indicators act as a point of reference but which methodology we will try to elaborate further also with a view to the distinction between single and composite measures. We first define and calculate some dynamic *transition* indicators on the two domains of Flexible and Reliable Contractual Arrangements (FLCA) and on Modern Social Security Systems (MSS) including Work-Life Balance security (WLB) to which our main interest go. They aim to measure the level of flexibility or mobility on the LM on the one hand and the level of income and employment security and combination or work-life balance security on the other. In the second step we also define some dynamic outcome indicators on the domains of life-long learning and active labour market policies. We mainly use the longitudinal SILC data for 2003-2006. For some indicators we also used the 2003-2007 data.

Flexible and Contractual Arrangements:

A. Flexibility-mobility indicators

- transitions between occupational statuses (occupational mobility) and between jobs (job mobility)
- transitions between contract statuses (contract mobility)
- transitions between wage levels (wage mobility)

B. Employment security indicators

- transitions between different statuses of “employment security” to show the differences across countries in the way they achieve transition employment security (see e.g. the EMCO-IG indicator for employment security)
- transitions between different working time patterns (part-time; fulltime)

Life-long Learning (LLL) and Active Labour Market Policies (ALMP)

- transitions by employment status and pay level (see EMCO-IG indicator)
- transitions into permanent and temporary jobs after participation in education or training courses
- transitions between unemployment and employment statuses (job gain/re-entry, job loss/exit)
- the probability to re-enter employment conditional on the length of stay in unemployment (based on monthly status information in SILC) for different social

groups (using the calendar information for 2005-2006) being a duration measure of transition employment security

Modern Social Security Systems: Transition income security

- upward or downward income transitions, transitions in low-wage mobility and transitions in income security (moving in and out of income poverty) indicating transition income security (the YSD measure explained in chapter 3).

Combination security or Work-life balance security

- % of women in employment and working time arrangements disaggregated by life-course stage (from being at school, forming a family, empty nest to retirement)
- % of persons in work-care combinations for different types of households
- transitions between work-care combinations across two years aimed at defining a measure for WLB transition security using the SILC data.
- time spent to work and caring duties for different families and work-care combinations using the available comparative time-use information also aimed at defining an indicator for WLB security but now using detailed information on the time or hours spent each week to work and care being unavailable in SILC.

4.2. Developing and testing transition indicators using SILC

In this section we use the longitudinal data sets of SILC to develop a set of transition indicators as explained before on flexible and contractual arrangements, life-long learning, active labour market policies and modern social security systems including work-life balance. Before we report on these new indicators we first discuss the transition measures defined by the EMCO indicators group in their final report (EMCO, 2009).

4.2.1. EMCO indicators and amendments

The EMCO indicators are the following (the number refers to the guideline and the monitoring indicators):

1. *Transitions by type of contract (21.M1)* acting as the output indicator for the policy component flexible and contractual arrangements including working time arrangements.
2. *Transitions by employment status and pay level* within employment acting as the output indicator for the policy component life long learning systems.

Ad 1: Type of contract

The first one is based on the matrix of contract statuses at t cross-tabulated with the contract statuses at $t+1$. To each cell of the matrix a positive, negative or equal sign is assigned showing whether in the view of the EMCO Indicators Group the cell represents an upward, downward or lateral transition into a higher, lower or equal level of employment security. The signs assigned to each cell depend on the relative ranking of each of the various contract statuses with a view to the level of employment security. The ranks implicitly assigned to each category for employment security (ES) by the EMCO group are presented in

the second panel showing that a higher score of employment security is assigned to statuses of fulltime training and education (studies) than to statuses as unemployment or inactivity. From a policy point of view the rationale for this seems obvious since the notion of flexicurity hinges strongly on the assumption that investing in the employability of people by allowing them to follow education and training courses might be a better way of assuring the employment chances of people at risk of unemployment than to render them a generous benefit.

Table 4.1: Transitions in employment security from year t to t+1 by type of contract

EMCO-IG	Perm	SE	Temp	Une	Stud	Ret	Inact
Rank ES	1	2	2	4	3	5	5
Perm	1=	2-	3-	4-	5-	6-	7-
SE	8+-	9=	10=	11-	12-	13-	14-
Temp	15+	16=	17=	18-	19-	20-	21-
Une	22+	23+	24+	25-	26+	27-	28-
Stud	29+	30+	31+	32-	33=	34-	35-
Ret	36+	37+	38+	39+	40+	41=	42=
Inact	43+	44+	45+	46+	47+	48-	49=

Note: Perm=Permanent contract; SE=Self-Employment including family workers, Temp=Temporary Contract; Une=Unemployment, Stud=Studies, i.e. Education, Training; Ret=Retirement; Inact=Inactivity.

Source: Derived from EMCO-IG (2009), own additions

From an analytical perspective one might question whether in terms of output or outcomes a transition from unemployment to studies necessarily involves an improvement in employment security since people especially in economic recessions often opt for studies due to lack of employment opportunities. Furthermore, since studying takes time, the availability for the labour market during the time of study is reduced and the distance to the labour market increased at least for the short-term.

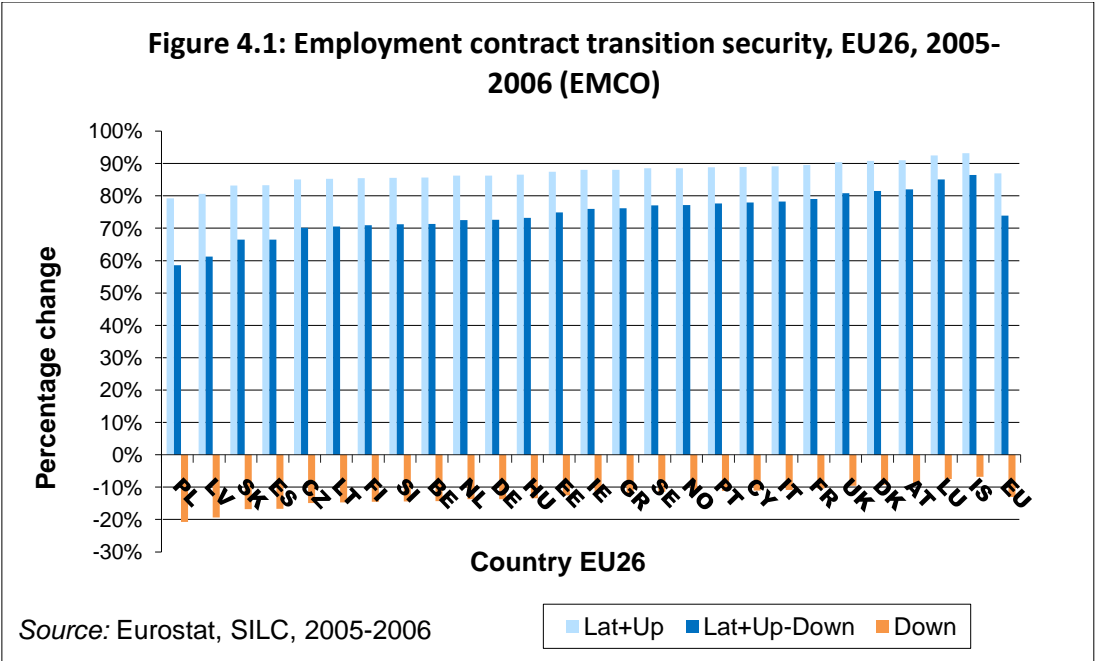
The Table also shows that transitions from self-employment to temporary contracts and vice versa are assumed to render the same level of employment security and that staying in unemployment is assumed to worsen employment security. For both assumptions the rationale seems clear. For the latter, there is rather strong empirical evidence that staying longer in unemployment reduces the chances to re-enter employment, which is known in the labour market literature as negative duration dependency. For the first, people in small self-employment businesses are just as temporary employed often in a very insecure employment situation while being dependent on a strongly fluctuating market. However, to assume that a transition into self-employment is as insecure or secure as a transition into a temporary job seems a strong assumption asking at least for more scrutiny into the issue through empirical research.

Objective and subjective security scores

Another way of assigning scores to each of the transitions in the contract status matrix would be to ask people about how secure they judge particular jobs or contracts and use

these to assign employment security scores to each transition. Muffels and Luijkx (2008a,b) used this approach to assign scores to each transition. Eventually, instead of using this subjective approach one might also try to assign more objective scores based on research into the security each transition offers to people in the short-term and the long-term.

We replicated the figures calculated by the EMCO-IG for this employment contract transition indicator for the years 2005-2006³. The results are presented in Figure 4.1. The EMCO group proposes to combine lateral and upward mobility to view to what extent employment security is at least as good the next year compared to this year. The variation across countries is relatively small (the light blue bars) due to the large share of people staying employment secure rather than changing employment security in all countries. The downward mobility figures show larger variation with Poland having the largest downward mobility rates.



A measure summarizing all the information contained in the mobility table might be to subtract downward mobility from the sum of lateral and upward mobility. This then measures the net employment security increase. The variation is then larger (dark blue bars) and the results look plausible rendering valuable information about the distribution of employment security transitions in Europe. Iceland, Luxembourg, France, Denmark and Austria show the highest levels of net employment security increases according to this indicator and Spain, Latvia, Slovakia and Poland the lowest.

The ETS indicator for employment transition security

In an earlier attempt to define an indicator for employment security Muffels and Luijkx, (2008a,b) used a similar approach but making only a distinction between upward and

³ The SILC data for Germany on employment status contained only four categories in 2006 instead of seven as in 2005 and for the other countries. For Denmark information is lacking on temporary contracts because of which the upward and downward transition rates are somewhat biased.

downward moves into employment security by considering lateral moves either as upwards (for people in employment) or as downwards moves (for people out of employment). The transition matrix is shown below. The measure has been called the dynamic employment security measure (ESD) but is named here the Employment Transition Security (ETS) indicator.

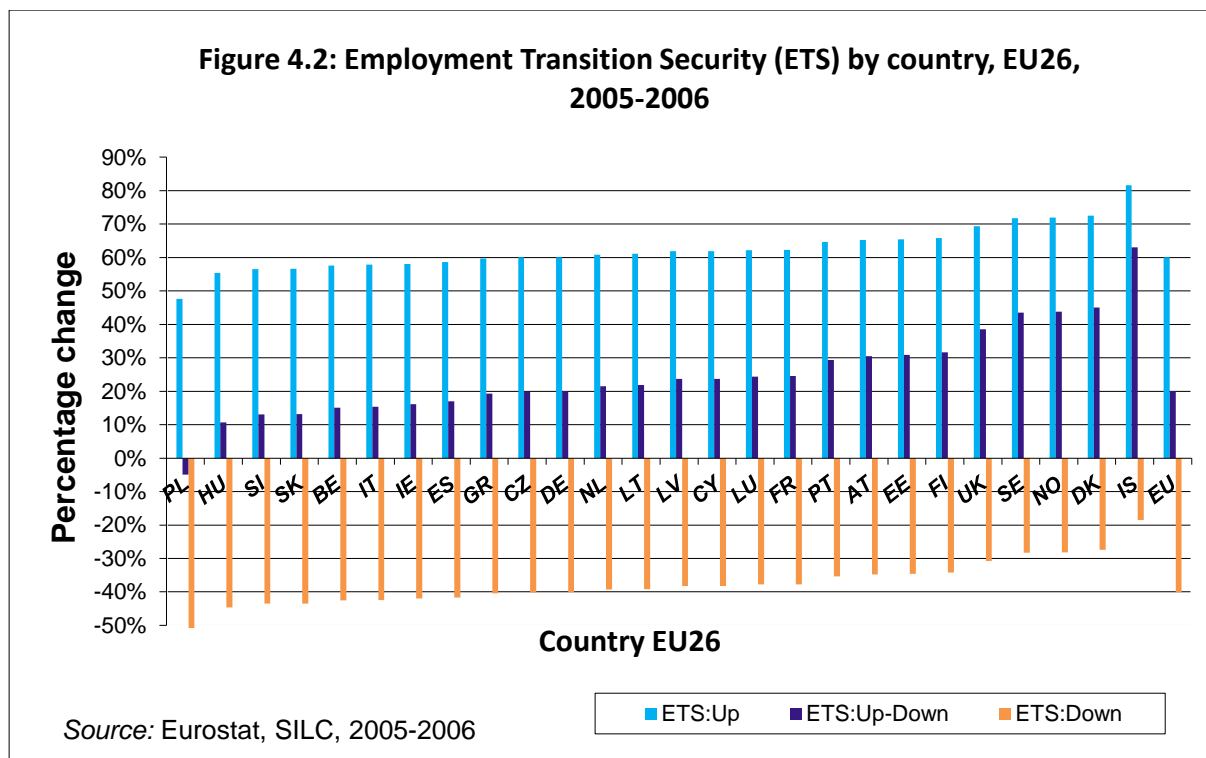
The underlying idea is that staying in employment for another year reinforces people's employment security whereas another year in inactivity, unemployment or even studies impairs the chances to move out of non-employment. That does not mean that the employment security by definition is always lower for non-employed people, especially not when they are engaged in education and training, but only that they are more likely to experience a reduced employment security due to being longer out of the labour market. Even for people in education, their situation might merely reflect their worse employment perspectives for which reason they are unable to re-enter employment and therefore prolong their stay in education. There is rather strong evidence in the labour market literature for supporting this assumption.

Table 4.2.: Transition matrix ETS (Employment Transition Security)

ETS					Early		Inactivity
	Perm contr	Self-Empl	Temporary	Unempl	Studies	Retirement	
<i>Rank ES</i>	1	2	3	4	4	4	4
Perm contract	1+	2-	3-	4-	5-	6-	7-
Self-Employment	8+	9+	10-	11-	12-	13-	14-
Temp	15+	16+	17+	18-	19-	20-	21-
Unemployment	22+	23+	24+	25-	26-	27-	28-
Studies	29+	30+	31+	32-	33-	34-	35-
Early Retirement	36+	37+	38+	39-	40-	41-	42-
Inactivity	43+	44+	45+	46-	47-	48-	49-

Source: Derived from Muffels and Luijkx, (2008), own additions

Furthermore, the ranking of the various contract statuses in terms of employment security within employment was based on the opinions of people of how secure the various statuses were. The ETS indicator allows examining to what extent employment security is improved or lowered yearly by calculating the difference between upward and downward mobility from Table 4.2. The indicator is considered a measure for employment transition security in society and is called the "Employment Transition Security" (ETS) indicator. One can use this measure to calculate it for people in employment and unemployment or inactivity separately or disaggregating it by gender and age class. The calculation of the ETS indicator on SILC resulted in the following picture for employment transition security by country. Though the variation across countries is larger the overall picture is not very different from the EMCO-IG transition indicator and shows that especially the Scandinavian countries Norway, Finland, Sweden and Denmark together with the UK perform well in employment transition security (ETS upward-downward transition security) whereas the Eastern and Baltic states show rather low rates of employment transition security and Poland even negative ones.



Ad 2. Transition by employment status and pay level

The second EMCO-IG indicator deals with transitions by employment status and pay levels. The idea is to measure transitions between employment and non-employment statuses (studies, unemployment, inactivity) and within employment by pay level (movements up or down the pay ladder defined by deciles of gross or net hourly wages). The indicator is seen as an output indicator for the success of life long learning policies. One may question the implicit assumption that it signals the effects of employability policies, since the indicator deals only indirectly with investments in employability or life long learning, because of which other factors than life long learning policies might impact on these transitions. Secondly, the existing evidence in the literature on the pay-off of training investments is not uncontested, not for its effect on future wages and not for its short-term effects on current wages. Again, the ranks implicitly assigned by the EMCO-IG to the various status groups are presented in the second panel showing that a higher score of employability security is assigned to statuses of fulltime training and education (studies) than to statuses of unemployment or inactivity.

Two issues arise: first, a movement from studies to studies is seen as a movement into more employability security (+). However, the longer stay in studies might not be an indicator for an increase in employability security but a decline since it might act as a second rank option for someone not being able to find the job he wants. Secondly, it is assumed that a higher position in the wage distribution by wage deciles is considered to reflect a higher attained level of employability security (+) though it is unclear whether the increase is due to training or life-long learning policies or just associated with changes in the socio-economic context (e.g. labour market conditions) or in the changing composition of the participants (of training) and non-participants. However, the fractions of people moving after training into better (paid) jobs compared to people without training might give at least some clues about the different career outcomes following training across countries.

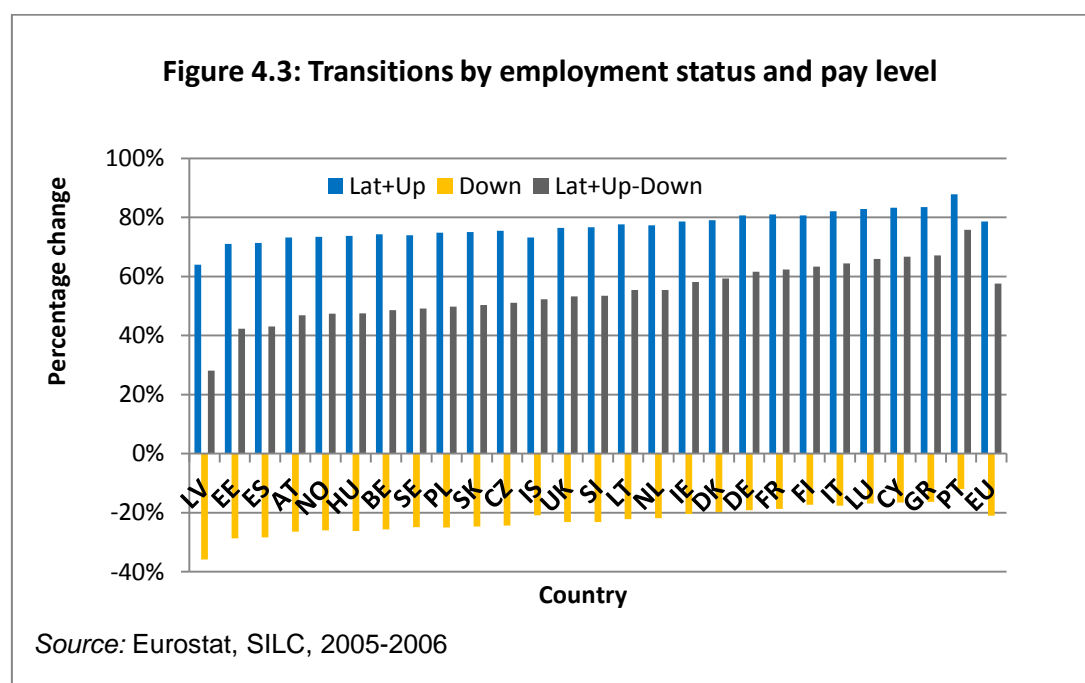
Table 4.2: Transitions from year t to t+1 by employment status and pay level within employment

EMCO-IG	Stud	Oth. Ina	Une	Empl-Dec1	,,,,,,	Empl-Dec10
<i>Rank ES</i>	4	6	5	3	2	1
Stud	1+	2-	3-	4+	5+	6+
Oth. Ina	7+	8=	9+	10+	11+	12+
Une	13+	14-	15=	16+	17+	18+
Empl-Dec1	19+	20-	21-	22=	23+	24+
.....	25+	26-	27-	28-	29=	30+
Empl-Dec10	31+	32-	33-	34-	35-	36=

Note: Stud=Studies i.e. (education, training), Une=Unemployment, , Oth. Ina=Other Inactivity (retirement, caring, inactive).

Source: Derived from EMCO-IG (2009), own additions

In the next graph we depict the outcomes of this employment-pay transition indicator. We also calculated the indicator for net annual wages and for the hourly gross wage for EU15⁴ but the results are largely similar. In addition we calculated the summary measure being the sum of lateral and upward mobility minus downward mobility. This summary measure is also depicted in figure 4.3.

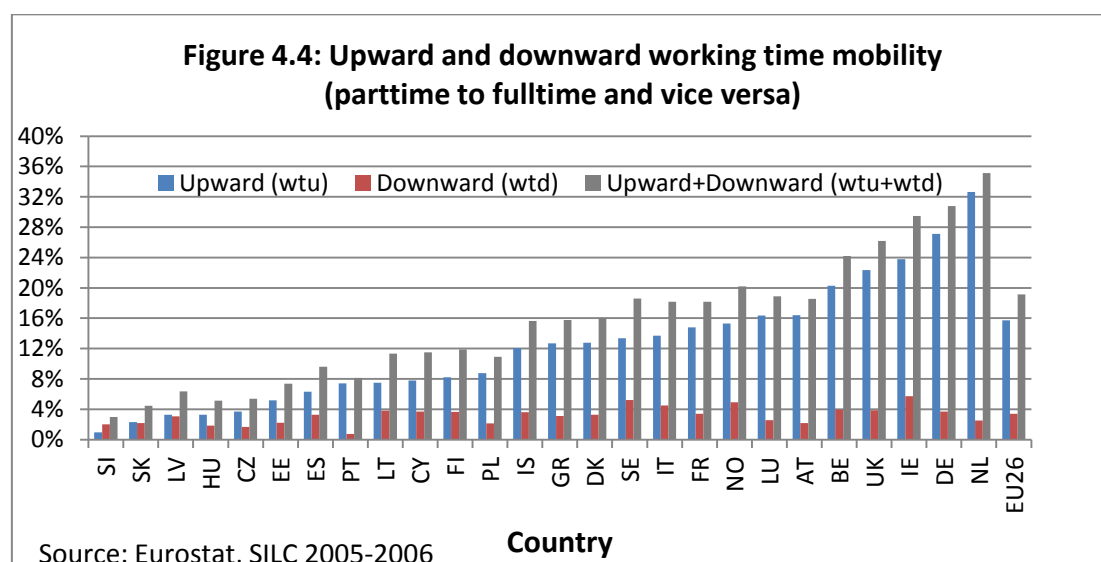


⁴ We calculated hourly gross and net wages using the information on last year's usual number of working hours as reported at the last year's interview. Since the wage information already refers to last year's wages the calculation of hourly wages requires information for two years ago implying that we had information only for EU15 for 2006 for which reason they are not presented.

The results show that the classification of countries according to this employment status transition-pay indicator is rather different for a number of countries. Portugal, Greece and Cyprus show the highest level of transition-pay security (lat+up-down) and Latvia, Estonia and Spain the lowest.

Working time mobility

Another component of flexible contractual arrangements concerns working time mobility or the mobility between various flexitime arrangements. In the next table we depict the mobility between part-time and full-time jobs in 2005-2006. A move from a part-time job in 2005 to a full-time job in 2006 is considered an upward move and a move from a fulltime to a part-time job a downward move. A part-time job is defined as a job with usual working hours of less than 35 hours a week. A further distinction can be made to include shorter (1-16 hours) and longer hours part-time work (16-24 and 24-34 hours) but these are not shown here. The Netherlands exhibit the largest fraction of people moving from a part-time job into a full-time job. The lowest working time mobility rates are found in the Eastern countries.



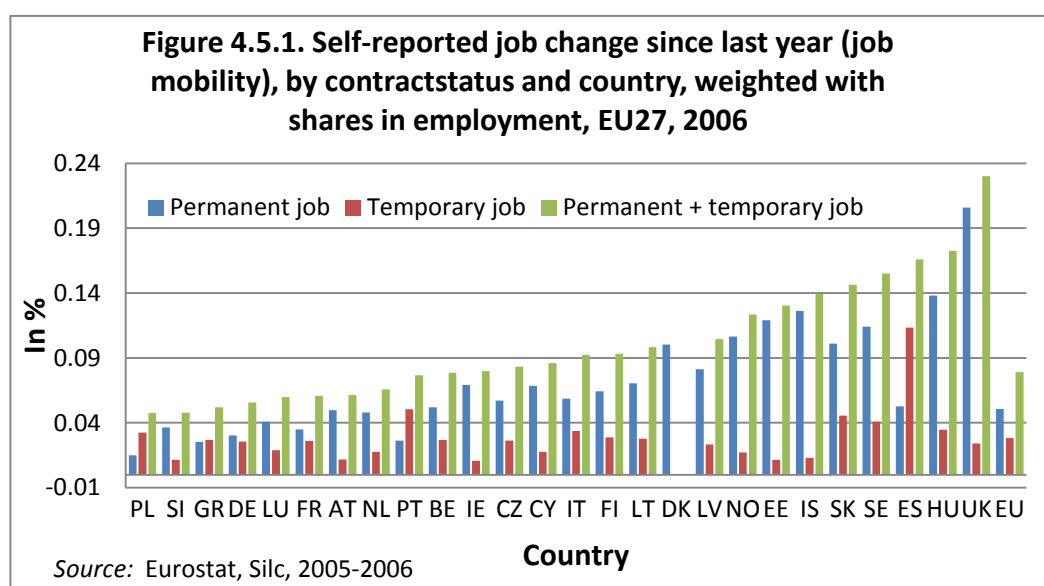
4.2.2. Flexible and Contractual Arrangements (FLCA): flexibility-mobility indicators

The two EMCO-IG transition indicators aim at measuring employment and pay security transitions and though they deal with flexibility as well, they do not measure the different levels of flexibility or mobility in a country. We might therefore consider alternative mobility indicators trying to measure mobility per se. In earlier work (Muffels & Luijkx, 2008a,b; Chung, 2008, 2009) referred to in chapter 2 we applied indicators for occupational mobility indicating job mobility, contract mobility and income security transitions. We applied these indicators for flexibility using the information contained in the ECHP. We replicate these figures now using the SILC data.

Job and contract mobility

Instead of using figures on occupational mobility as an indicator for job mobility the SILC data allowed us to derive job mobility straightforwardly by using a question about whether

the respondent changed job since last year or not. This information on job mobility is hence based on respondent's self-reported or subjective assessment. The data provide no information about whether the change involves an employer's change or not.⁵ This means that a distinction between internal (with the same employer) and external (job move to another employer) mobility appeared unfeasible. It also implied that no information is available on functional flexibility, the move to a higher or lower level job with the same employer. Would SILC provide information on occupation at two-digit level we could have derived a measure for occupational status and hence, for occupational mobility by comparing occupational status levels across two years. We would then had a measure for occupational status mobility though still being unable to make a distinction between internal and external mobility. A measure of occupational status mobility has been elaborated in earlier work (Muffels & Luijkx, 2008a,b). The job mobility indicator is calculated as the percentage of employed people aged 16-64 that changed job last year weighted (multiplied) with the shares of both contract statuses in employment (permanent or temporary contract) to arrive at a population wide estimate. Results are depicted in the next graph. The lowest job mobility rates are observed (see Figure 4.5.1) in Poland, Slovenia, Greece, Germany, Netherlands, France and Luxembourg and the highest in Hungary, Spain, Sweden and especially the UK. Spain has a remarkably high level of job mobility that is especially due to a high job-to-job mobility for workers in temporary contracts. The job mobility among workers in permanent jobs is rather low.



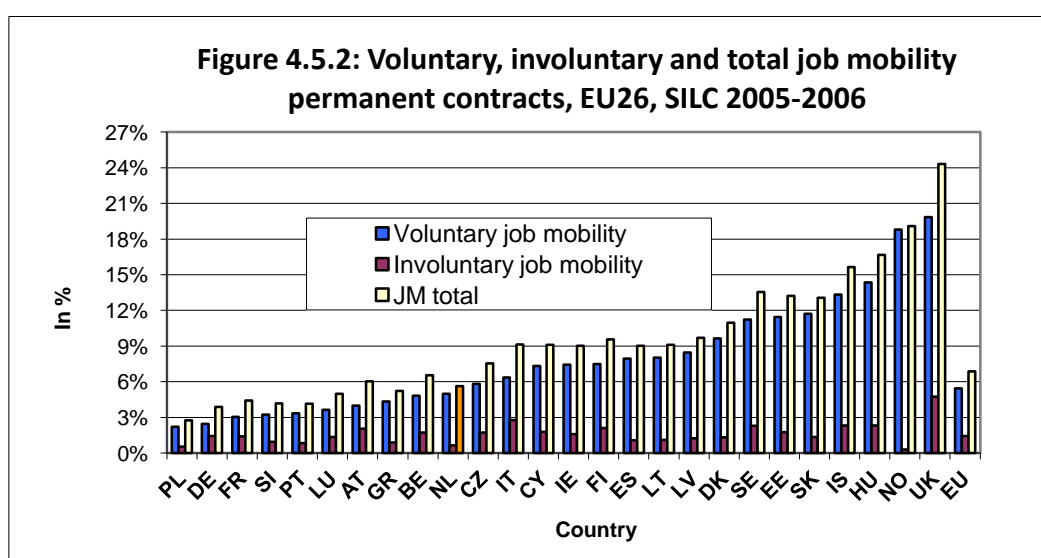
Denmark has lower job mobility rates than we expected beforehand for Denmark is known for its lean employment protection though the picture is blurred due to lack of information on the mobility of workers on temporary contracts.

The SILC data also provide information about the voluntary or involuntary nature of a job change. Below, we depict the information for permanent contracts. A job change is

⁵ For Norway the figures for 2005 and 2006 were implausibly high (55-66%) for which reason we for presentation purposes averaged the mobility figures for 2003 and 2004 for each respondent and uses these to arrive at a more plausible estimate. It needs further scrutiny to see what happened.

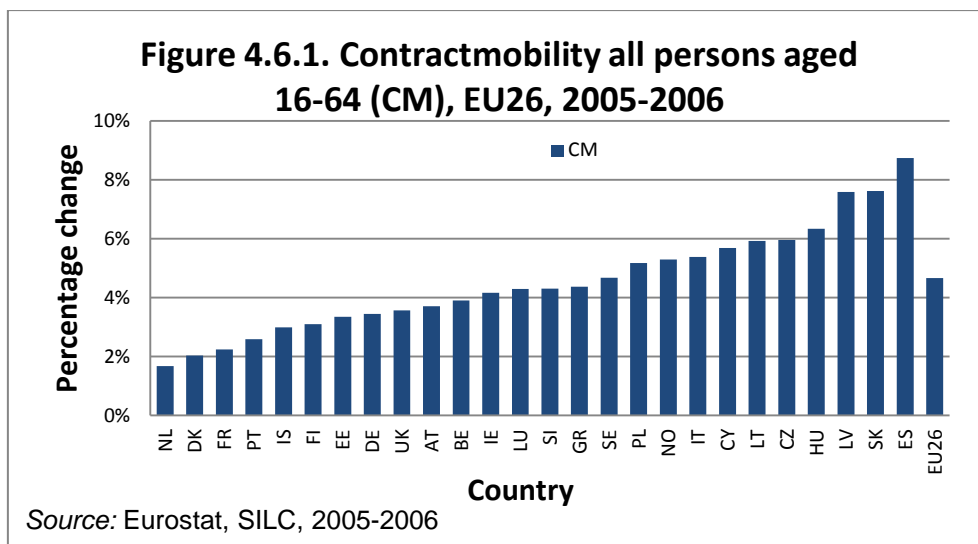
involuntary if it is due to the end of a temporary contract (even though one knows in advance when the contract ends), sale of or business closure, redundancy, early retirement or dismissal. The other reasons are considered voluntary: seeking a better job, child care or care for dependent others, the need to move due to partner's job and other reasons. We further assumed that if someone had a job change but didn't give an answer to the question on the reason of change we assigned these people to the category other reasons and hence assumed the job change to be voluntary.

Both, the voluntary and involuntary nature of job changes are important for mobility since the more flexible the labour market is the higher voluntary mobility tend to be especially in open ended contracts. A more flexible labour market is likely to have more involuntary mobility due to dismissal or redundancy but not because of business close downs or early retirement. For that reason we assume that voluntary mobility for open ended or permanent contracts is a better measure for flexibility than job mobility per se. In Figure 4.5 we present the results. The findings show that the voluntary mobility is much larger than involuntary job mobility. Lowest voluntary and involuntary quits have Poland, Slovenia, Germany, Portugal, Luxembourg and France. The UK show highest voluntary and involuntary quits reflecting the typical features of an unregulated labour market.

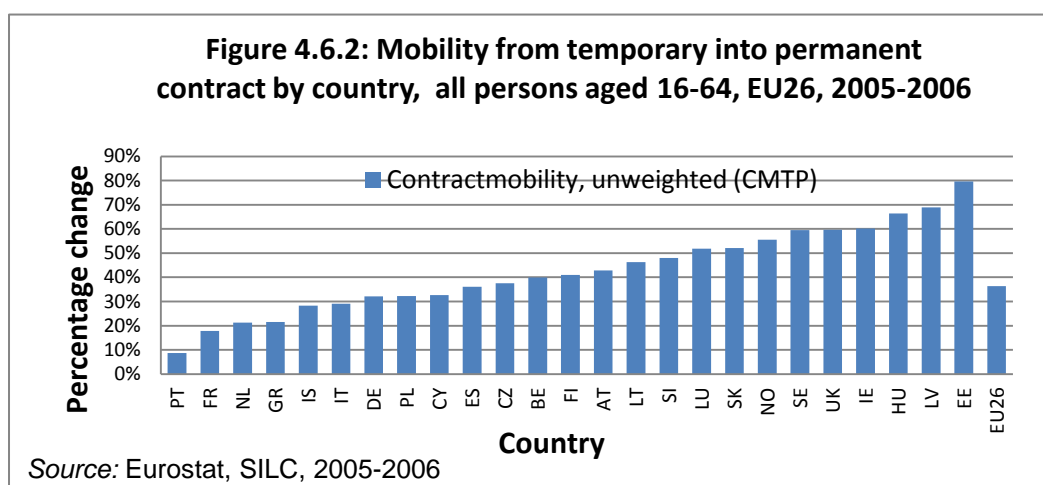


In the next step we used the panel information for 2005 and 2006 to calculate the contract mobility rate as the weighted mean of the annual transition rates (here from 2005 to 2006) between the three different contract statuses: a permanent job, a temporary job and self-employment. We calculated the indicator by calculating mobility rates for people between 16 and 65 years who changed contract status across two years (CM) weighted with the fraction of people in that particular contract status between 16 and 65 years old to arrive at a population wide measure for contract mobility⁶.

⁶ The figures for Denmark concern the mobility between permanent contracts and self-employment only and are therefore downward biased since no information is available on temporary contract status for Denmark in SILC yet.



Contract mobility rates are very low in the Netherlands, Denmark, France, Portugal and Iceland (though the figures for Denmark are biased: see note 7) but high in Hungary, Slovakia and Spain. High contract mobility shows the volatility of the various contract statuses in the labour market rather than signalling a flexible labour market. A segmented labour market shows more volatility because of a large segment of temporary jobs but due to the entry barriers to a permanent job also a low mobility into permanent jobs. The mobility rates from temporary jobs into permanent jobs are therefore important and show to what extent temporary jobs act as a “stepping stone” into permanent jobs or as a state in which people are entrapped without much chance to escape. Figure 4.6.2 shows the results. The unregulated labour markets of Ireland and the UK show the highest mobility rates into permanent jobs but remarkably also some Eastern and Baltic countries such as Hungary, Latvia and especially Estonia. Very low mobility rates are found in the Southern countries but also in the Netherlands and especially France. The figures for the mobility rates after two years (22 countries; 2005-2007) are virtually identical and hence, not shown here.



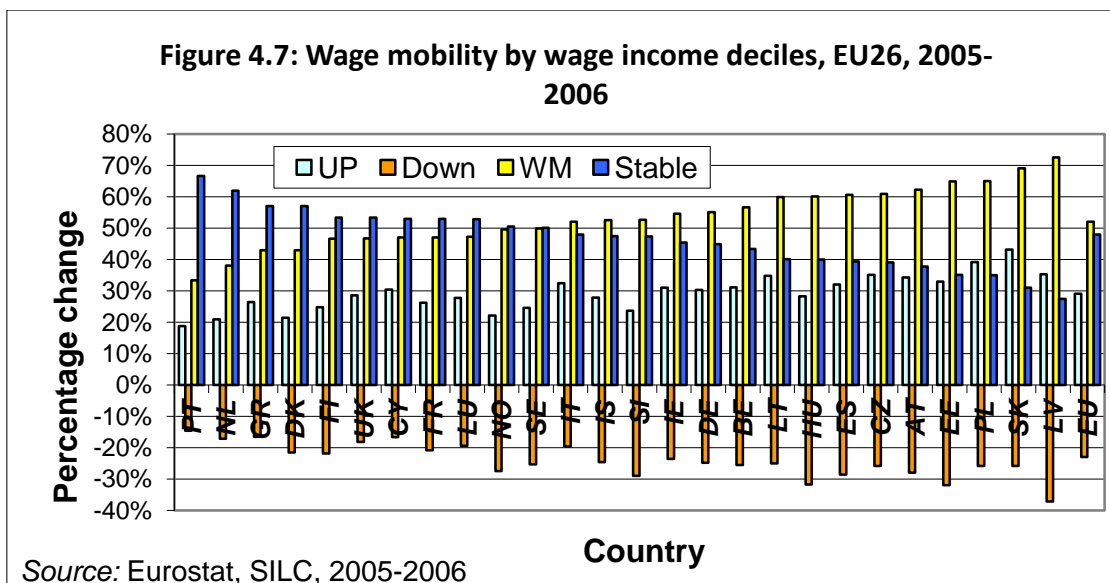
A flexible labour market however is characterized by a combination of a high level of voluntary job mobility (for regular jobs), a high level of mobility from non-standard into standard permanent jobs (numerical flexibility) and a high level of upward wage or income mobility (wage flexibility).

Income and wage mobility

We therefore calculated measures for income and wage mobility (in particular concerning wage plus benefit income). Wage mobility is part of the flexicurity concept presented in Chapter 1 and an important indicator for the level of flexibility on the labour market. Income and wage mobility are important issues since they relate to the extent by which the institutions on the labour market and in the social security system render incentives to people to search and to move to a better job. It is also associated with one of the key issues in the flexicurity debate on transition security, the security attained when people either voluntarily or involuntarily change positions and because of that become more or less secure in terms of income.

There is a vast literature on the subject of income mobility and income inequality to which we refer. The most famous measure of income mobility is the Shorrocks' permanent income inequality and mobility measure. It is calculated as the weighted average of the inequality of permanent income, the income over a particular period of time, and the annual levels of inequality weighted with the share of each year's income in the total income earned in that period. The measure shows to what extent people might recover from income shocks happening to them over time either by finding a new job, remarriage or being lucky in the lottery. The impact of the design of policies for the capability of people to recover fully or partly and more or less quickly is an important topic for research though not one we want to capture here. Since SILC has information on 26 countries for two years only yet, we focus on elaborating output or outcome indicators on wage transitions as well as on changes in benefit incomes and between wage and benefit incomes to first indicate the performance of countries to allow people of different income levels to improve themselves in terms of income growth and secondly to provide further evidence on the transition security issue.

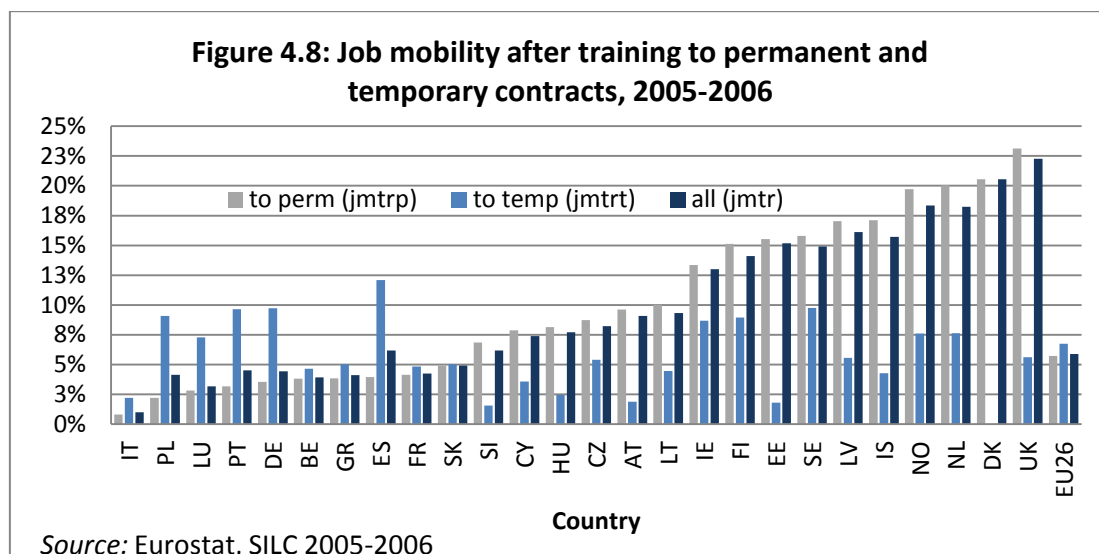
One way of looking at mobility is to look at the yearly transitions in incomes or wages over time. One obvious way is to create equal income groups consisting of e.g. 10% of all income recipients ranging from low to high incomes (deciles). One can then look at the percentage of people changing one or more deciles. This is part of the approach of the EMCO-IG with respect to the second employment-status-pay indicator aimed at measuring changes in earnings prospects due to movements within employment. The average wage deciles transition rates can be used as a wage mobility indicator. We can look into upward mobility (move up in decile number) and downward mobility (move down), the sum of which represents total wage mobility (WM). People can also remain in the same decile (stable). In Figure 4.7 the results are shown.



The picture is largely similar to the picture for the EMCO-IG combined employment status-pay indicator. Again, the Eastern and Baltic labour markets show largest wage mobility rates (WM) but also rather high downward rates (down) whereas the liberal UK labour market exhibits rather modest overall wage mobility but also low downward wage mobility rates. A disadvantage of decile changes instead of percentage changes is that people can change deciles or ranks due to compositional changes across two years without having changed much in their personal incomes. And even a small change might already cause a change in the person's deciles ranking.

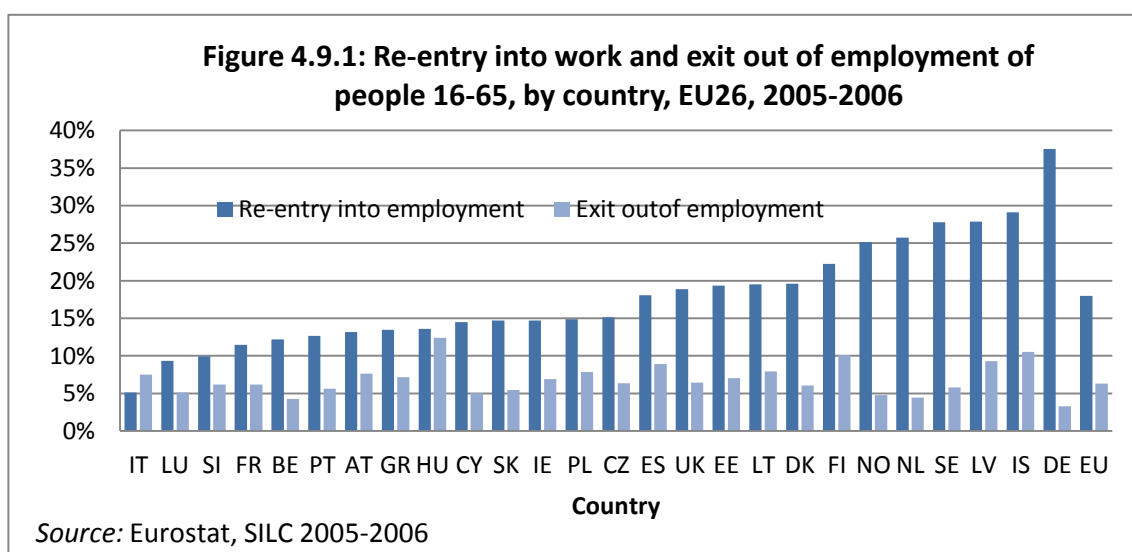
4.2.3. Life long learning and active labour market policies (LLL/ALMP)

One of the most important components of flexicurity policies concerns the investment in the education and training of workers raising their employability and safeguarding their transition security whenever there is need to make a transition into another job. One obvious indicator therefore concerns the participation in education, life-long learning and continuous vocational training programmes either offered within firms by employers or organized outside the firm by the labour market institutions. Other indicators deal with the duration, the costs, the age-specific participation rate, the kind of qualifications obtained or the type of training (firm specific or general) and the level of education offered. There are already many institutional indicators formulated using this type of information (cf. Mascherini, 2008). Here we are concerned with the definition of dynamic or transition indicators. An obvious indicator is the transition of trainees moving into a better paid job or into a permanent job after training. The larger the proportion of people moving into a better paid or permanent job after training the better the labour market seem to perform even though the causal relationship is far from clear. For working people we might look into the move to higher paid jobs but for non-working people the move to a temporary or permanent job seems more relevant. We believe that the larger the share of people moving after training into a temporary job and the lower the percentage of people moving into a permanent job the worse the labour market performs with a view to rewarding the investments in training. In table 4.8 we depict the results on this particular indicator.



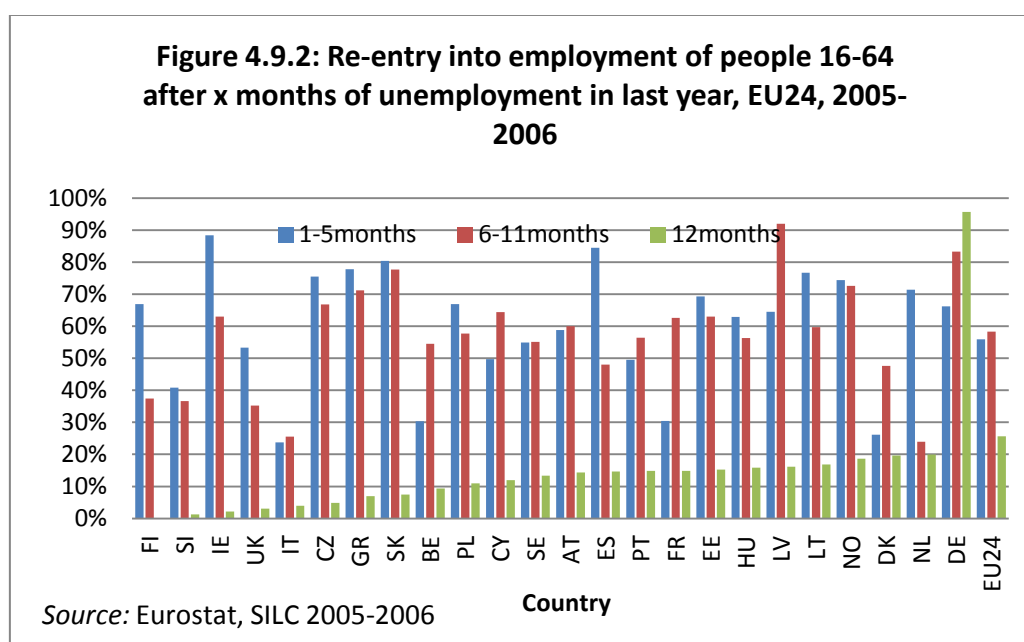
The mobility rates into permanent jobs after training are shown to be largest in Latvia, the Netherlands, Norway, Denmark and the UK and lowest in the Southern countries Italy, Spain, Greece and Portugal but also in Poland, Luxembourg, Belgium, Germany and France. The more regulated countries show the lowest mobility rates into permanent jobs. In Spain many people, probably most of them young, move into temporary jobs after training.

Also for active labour market policies a number of static institutional indicators, such as the percentage of GDP spent to active and passive LMP arrangements and the number of people covered in particular LM programmes, are available and used in the EES context (Mascherini and Manca, 2009). Dynamic indicators tend to increasingly become available like the number of people re-entering employment after some time in training or other employment reintegration programme (public employment services). Dynamic outcome indicators might be defined as the exit rates into unemployment and the re-entry rates out of unemployment (Table 4.9.1).



These exit and re-entry rates can be defined conditional on some elapsed time in or duration of previous (un)employment. Table 4.9.1 shows that re-entry is largest in Germany and the Nordic countries including Iceland. Exit is large in Hungary and Finland.

Table 4.9.2 shows the re-entry rates into employment conditional on elapsed duration of unemployment in the last year. It is clear that for people staying unemployed the entire 12-months period, the re-entry chances are much lower than for people staying unemployed for less than one year. Again the highest re-entry chances for the long-term unemployed being unemployed for at least one year are observed in Germany and the Scandinavian countries and the lowest remarkably in Finland, Ireland and the UK, and the Southern and Eastern countries.

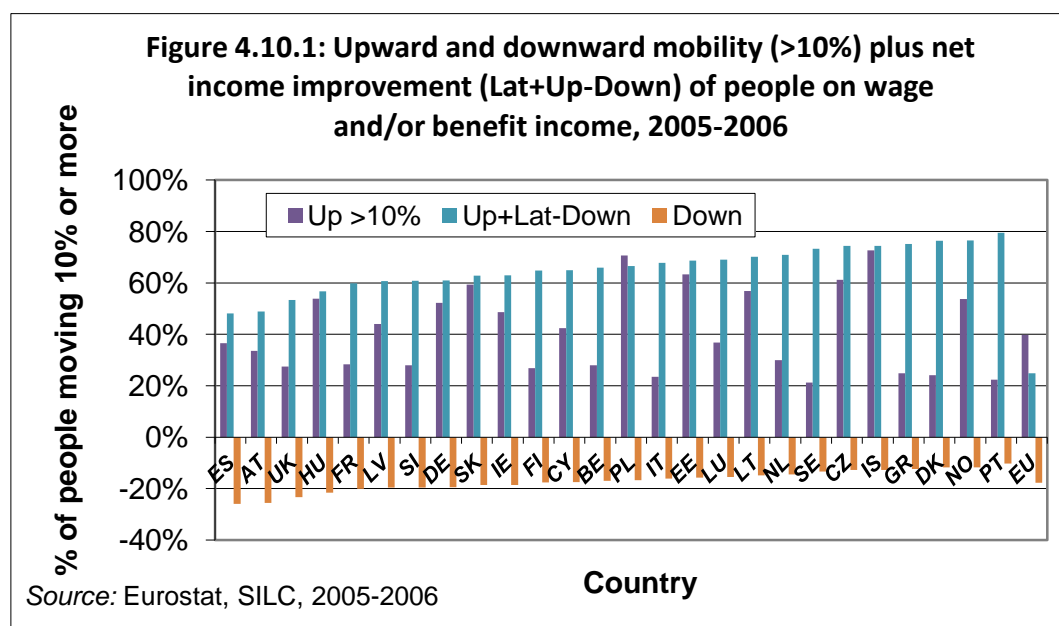


4.2.4. Modern Social Security Systems (MSS)

4.2.4.1. Transitions in wage and benefit incomes

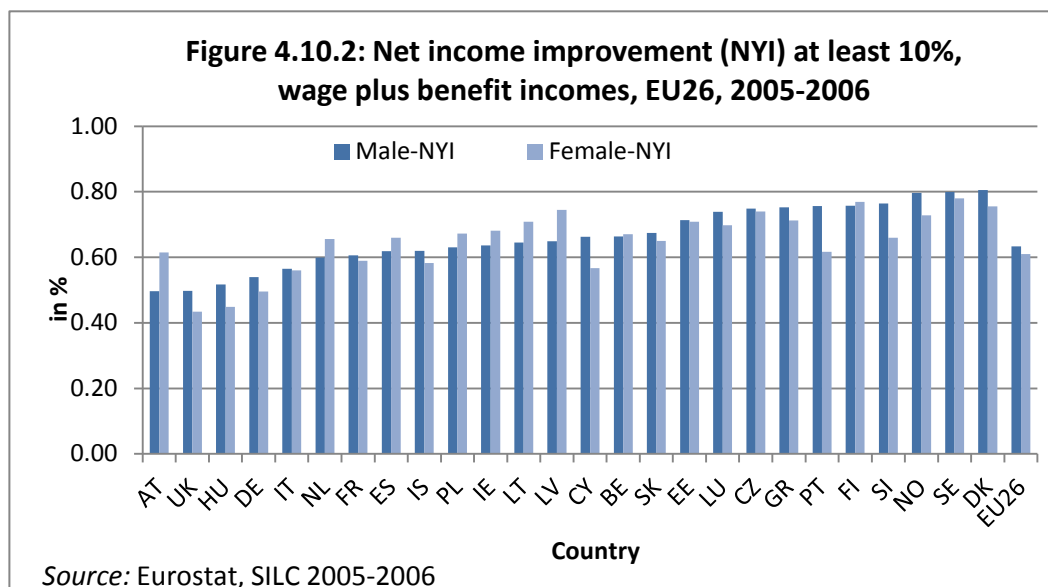
Institutional indicators developed in the EES framework jointly by the Commission and the OECD (see 'tax and benefit' project) in the domain of modern social security systems (MSS) deal with the spending and coverage of benefits, the financial incentives to take up work (unemployment and inactivity "traps"), the level and duration of benefits (replacement rates for short and long-term unemployment) and the availability of child care services, the latter indicating the work-life balance. In 2009 on the basis of this information a composite MSS institutional indicator has been defined by Governatori et al. (2009). Here we focus on defining dynamic outcome indicators. Modern social security schemes allow people to switch more easily between employment and benefit statuses and to render in-work income support to people while working (part-time). Our measure therefore views changes in income earned from wage or social security income across two years. It might be that people change from unemployment into employment because of which benefit income drops and wage income rises but people might change income for various other reasons related to

family formation events (divorce, separation), social security or benefit related events but also a variety of other labour market related events (e.g. health shock, part-time work, short-time work). In the first figure we calculated the number of people experiencing a more than 10% upwards (up) or downward change in wage plus social security income (unemployment, disability, pensions, education benefits) across two years. People staying within this +10% and -10% bound are considered experiencing lateral mobility (lat).



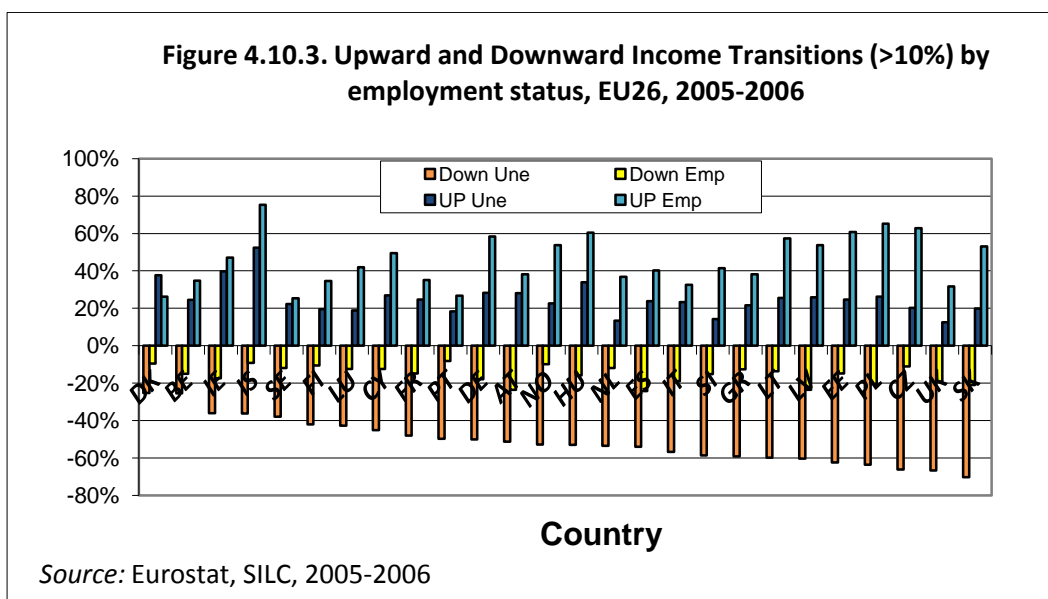
We show the upward (Up) and downward (Down) mobility rates and the net income improvement ($NYI = Up + Lat - Down$). Portugal, together with the Nordic countries, show the largest average net income improvement but with low upward and downward mobility rates. Remarkably, also Greece scored high whereas Spain, Austria and the UK show the lowest level of upward and highest level of downward income mobility.

In the next graph the net income improvement indicator is disaggregated by men and women showing that in most countries men are better off but in some countries women (Austria, Latvia, the Netherlands and Spain).



Income mobility by social group: employed versus unemployed

The income mobility measures are indicators for short-term wage and social security income mobility and stability. The indicators can of course be calculated for different social groups like low income people, people on benefits versus people on different levels of wages and before and after an event like divorce or poverty to see what happens with both income components. When more years become available one can calculate it for more years to get a measure for changes in permanent income. In Figure 4.10.3 we depict the downward and upward mobility rates (net annual wage + social security income more than 10% lower or higher the next year) by employment status (employed versus unemployed people). The figure shows huge differences between the chances for the unemployed and employed to move downwards and upwards on the income ladder. The opportunities for employed people to escape downward moves and to experience upward moves appear much higher in all countries than for the unemployed.



The unemployed in Denmark, Belgium, Ireland, Iceland and France have the lowest chance to move downwards and the unemployed in the Southern, Baltic and Eastern states the highest but also in the UK the unemployed have high chances to see their income fall with more than 10%. Upward mobility is remarkably not very high in Denmark neither for the unemployed nor the employed but even lower in the UK which is unexpected given the unregulated liberal labour market.

4.2.4.2 Transition income security indicators

The indicators explained before measure income transitions and as such indicate to what extent people remain income secure across two years. More specific measures on transition income security can be constructed by viewing particular risk groups such as the in-work poor or workers on low wages:

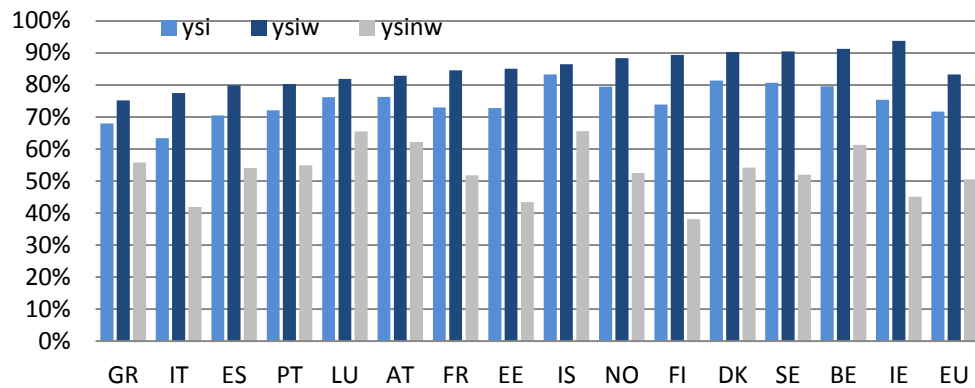
1. In-work low-income transition security (moving out of poverty)
2. In-work low-wage and income poverty transition insecurity and
3. In-work low-wage transition security.

Ad 1. The first one is already mentioned in Chapter 3 and elaborated in previous work (Muffels, 2008). It concerns the extent by which persons living in poor households are able to escape income poverty from year to year according to the 60% median equivalent household income threshold that is used by the European Commission (see chapter 3). We use this measure also to calculate it separately for working and non-working people. The indicator makes a distinction between those who enter poverty (downward mobility into poverty for the non-poor plus those who stay poor) and those who exit poverty (upward mobility out of poverty plus those who stay out of poverty). The YSI indicator is the difference between the upward and downward mobility rates weighted with the shares of the poor and the non-poor for each group of working and not-working people. Since income is asked only for the previous year we were able to calculate transition rates only for EU15 on incomes for 2004 and 2005.

Ad 2. The second indicator concerns the in-work low-wage and income poverty transition insecurity measure for low wage workers or workers below the OECD's 67% of the average or median personal wage threshold who enter or escape income poverty. This threshold is used to calculate the number of workers in low wage jobs that either makes a downward transition in terms of income by entering income poverty or an upward transition by passing the income poverty threshold mentioned under 1.

Ad 3. The third indicator also pertains to low wage but uses the same 67% threshold of the OECD to calculate the number of people that is able to either escape low wage (upward mobility), or to remain in low wage (lateral mobility) or to enter low wage (downward mobility) from one year into the next. In Figure 4.11.1 we show the YSI indicator for three groups: all people between 15 and 65, the employed and the non-working people.

Figure 4.11.1: Net Income security improvement of all people 16-64 (ysi), the working (ysiw) and non-working population(ysinw) by country, 2004-2006

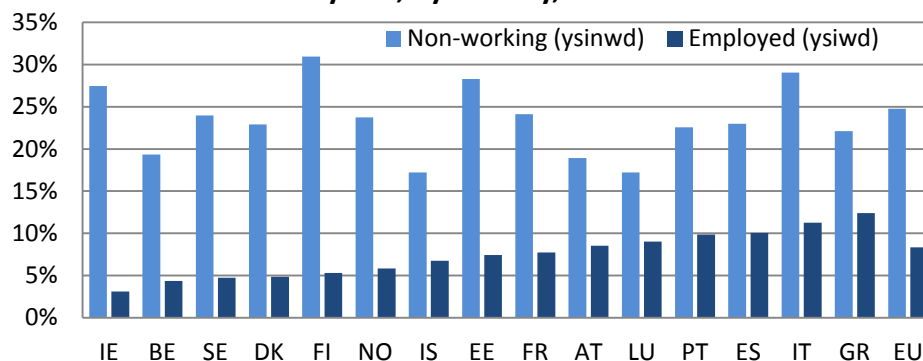


Source: Eurostat, SILC 2005-2006

The working poor are more likely to improve their net income security than the non-working poor in all countries but especially in Ireland, Belgium and Denmark. In Italy and Greece the working poor have the lowest chances to improve their net income security across these two years (2004-2005) though still more than 70% was able to improve their income security (stay or move out of poverty) in these two countries between 2004 and 2005. The YSI is calculated as the difference between gains and losses of income security.

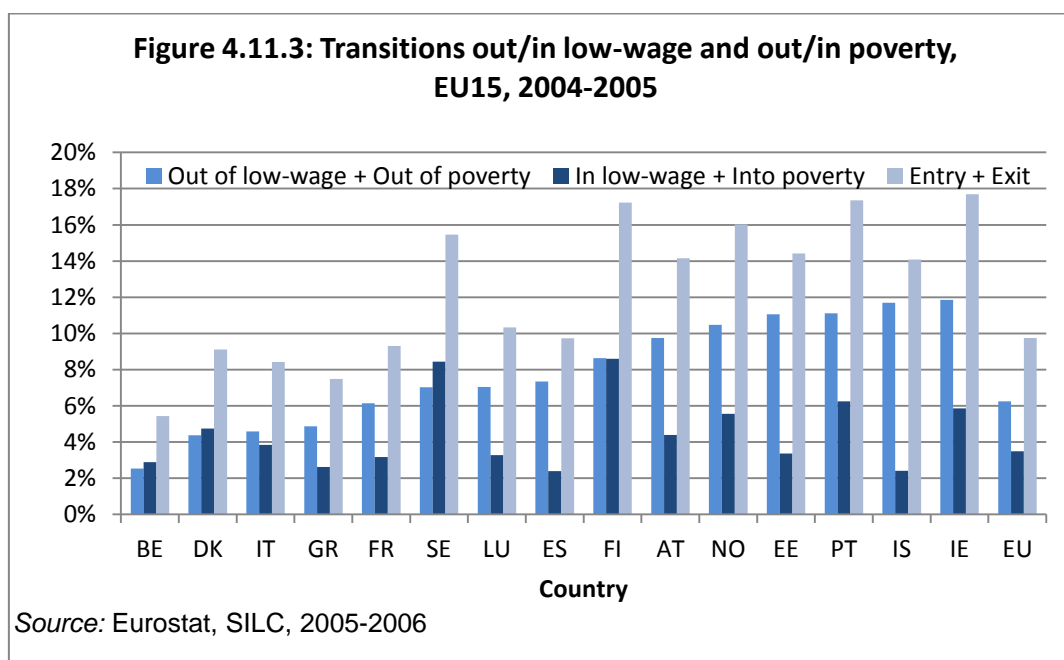
In Table 4.11.2 we compare the income security losses (staying poor or moving into poverty) for the working and non-working people by country. The same can be done for the gains (staying out of poverty or escaping poverty). Again Ireland, Belgium, Sweden and Denmark show the lowest income security losses for the workers and the Southern countries the highest.

Figure 4.11.2: Net Income security losses (staying poor + moving into poverty) by employment status , population 16-65 years, by country, 2004-2005

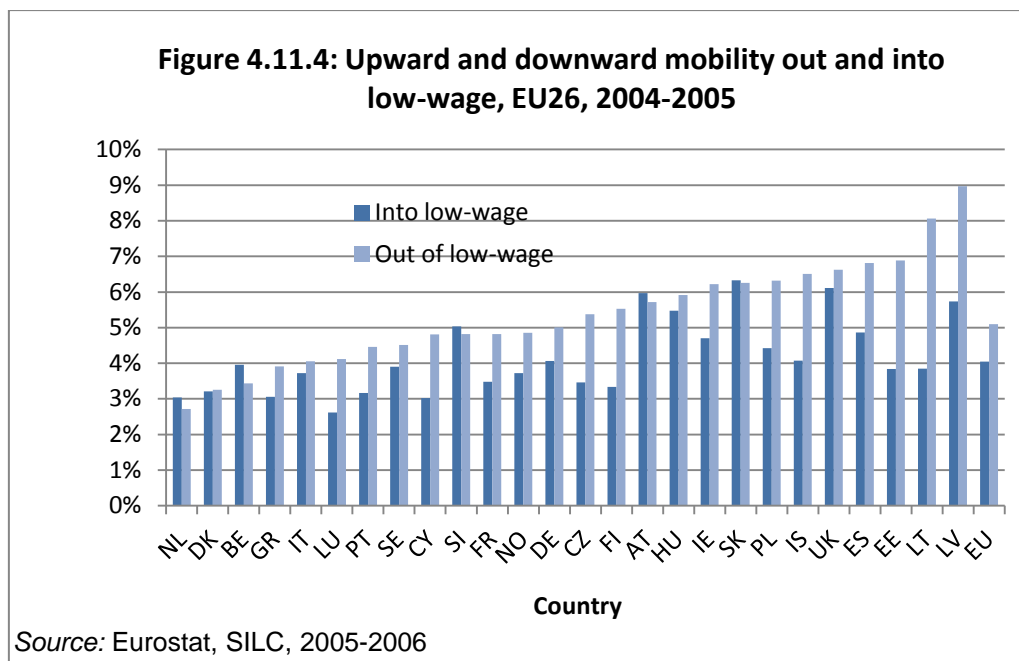


Source: Eurostat, SILC 2005-2006

The second transition income security indicator concerns the proportion of people moving out of low wage and also moving out of poverty, and the proportion of people moving into low wage but also into poverty. Both proportions are depicted in Figure 4.11.3.



Again Ireland shows the highest proportions of people escaping low wage and simultaneously escaping poverty but also shows the highest overall mobility (entry + exit) due to people entering low wage and poverty. Belgium and Denmark show rather low levels of people moving out of low wage and poverty. The Southern countries exhibit low escape rates out of low wage and poverty but paralleled with low entry levels into low wage and poverty. The last low-wage transition security indicator shows the upward mobility rates out of low wage and the downward mobility rates into low wage. Slovakia has the highest inflow in low wage jobs and also high outflows whereas Latvia has the highest exits out of low wage but also large inflows.



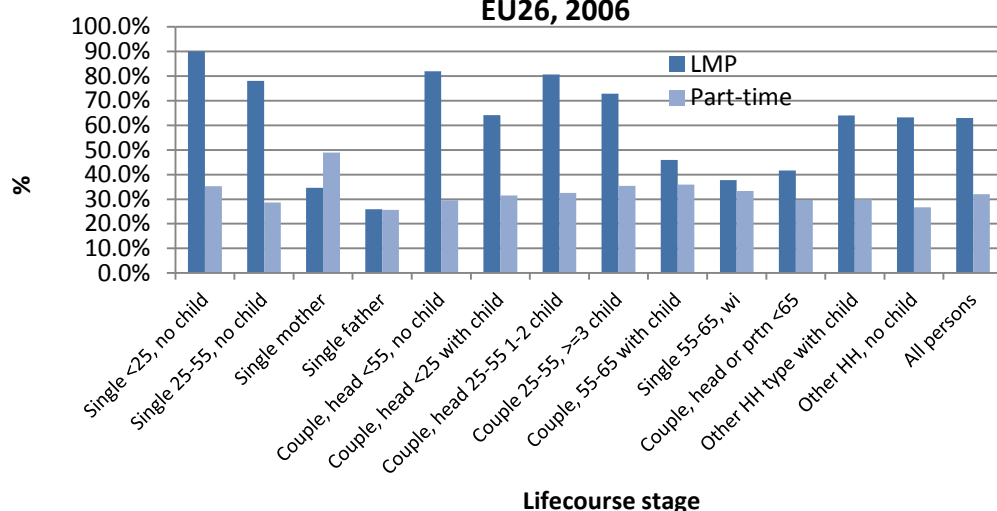
Most indicators point in the same direction with respect to the scores of countries on the various indicators dealing with transition employment security and transition income and low-wage security. In the final part we switch to the dynamic indicators on work-life balance security.

4.2.4.3 Work-Life Balance security indicators

In the first step we employed two rather straightforward static measures on work-life balance security. One measure deals with the labour market participation rates and the other with the share of part-time employment, both disaggregated by the life course stage people are in. Life course stage has been constructed using information on household type, number of dependent children between 0 and 24 years old and age of the head and the partner⁷. The evidence is depicted in Figure 4.12.1. Labour market participation appears highest among couples between 25 and 55 years of age and part-time employment among single mothers. This is not surprising but the differences across countries appear rather large.

⁷ Dependent children are children living in the household younger than 15 years or between 15 and 24 years and not working (inactive).

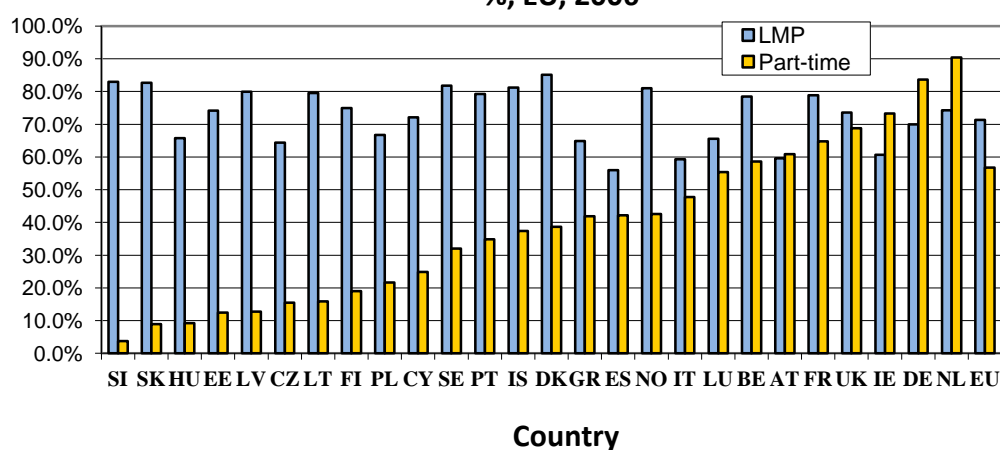
Figure 4.12.1 Labour market participation and part-time employment rates, persons 15-64, by life course stage, EU26, 2006



Source: Eurostat, SILC 2003-2006

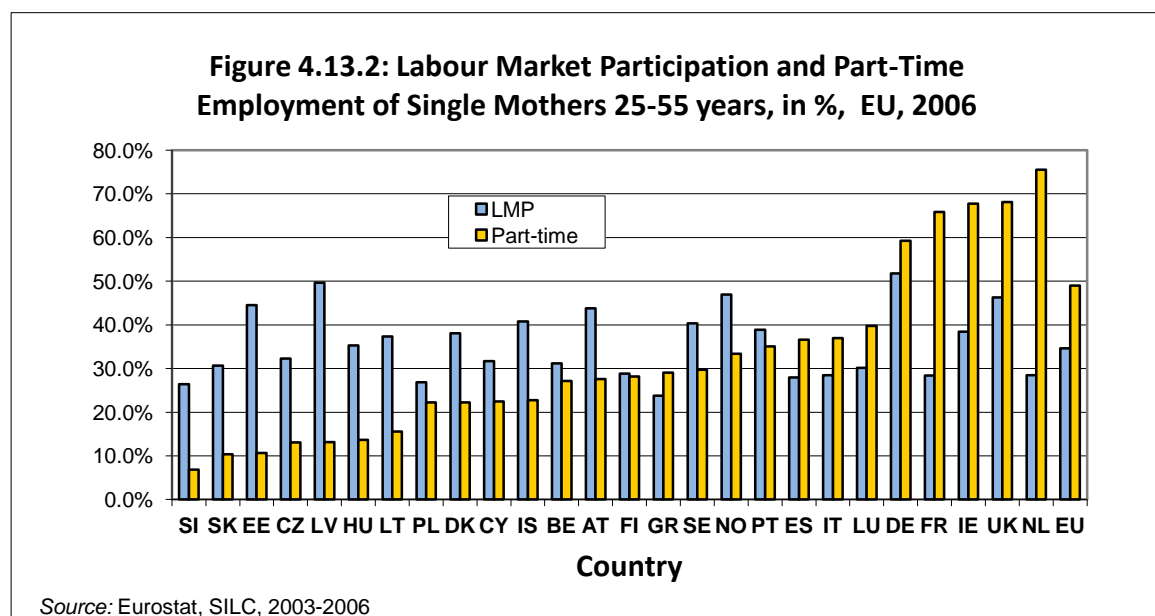
We selected two life course stage categories, single mothers (SM) and mothers belonging to a couple with one or two children in the stage when they combine work and care most, that is between the age of 25 and 55 years (MC), to show the variation across countries. The results are presented in Figures 4.13.1 and 4.13.2.

Figure 4.13.1: Labour Market Participation and Part-Time Employment of Mothers 25-55 years in Couples with 1-2 children, in %, EU, 2006



Source: Eurostat, SILC, 2003-2006

The picture is very different for participation and part-time work with huge differences across the countries. Low proportions of mothers in couples participate in the Southern and some Eastern countries but also in Ireland whereas large fractions of coupled mothers are employed in the Nordic countries and in some Baltic and Eastern states. A high proportion of coupled mothers work part-time in France, the UK, Germany and the Netherlands on top of that though very low proportions of mothers work in the Eastern and Baltic states.



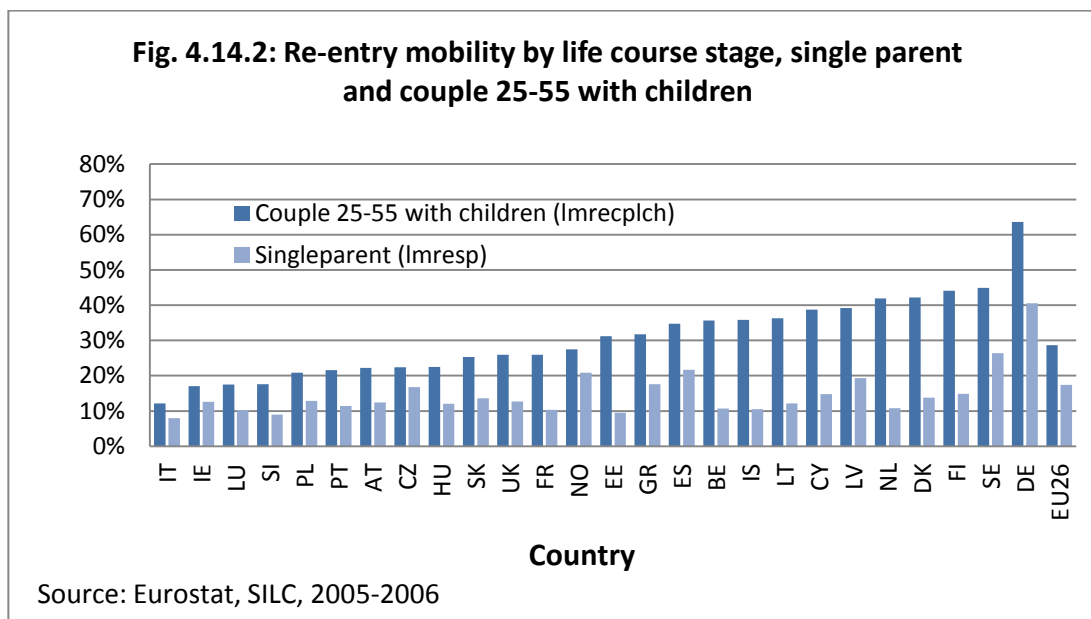
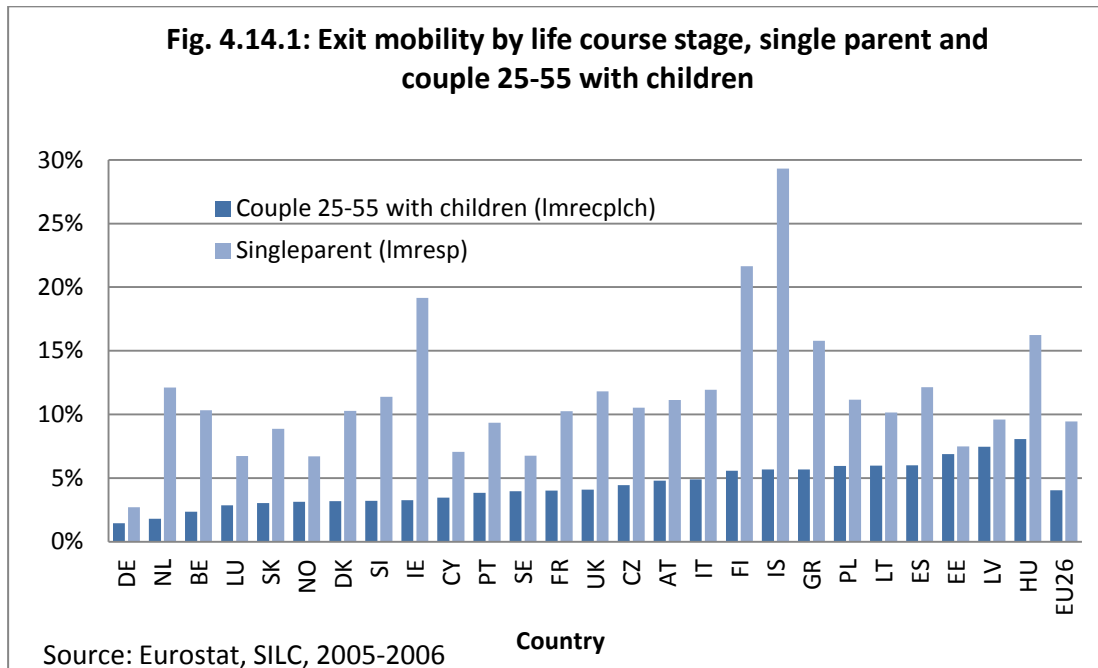
Single mothers work most in Norway, Iceland, Austria and Germany and in the Baltic states Estonia and Latvia but least in Southern and some Eastern countries. Low proportions of single mothers work part-time in the Eastern former socialist countries of the EU but high proportions are found in Belgium, Austria, Germany, France, Ireland, the UK and on top the Netherlands. The picture is very much similar for single mothers compared to mothers in couples. The differences across countries are huge. In the Netherlands less than 30% of single mothers between 25 and 55 years work but most of them (90%) work part-time, whereas in Latvia 50% of these women work but only 10% in part-time jobs.

Exit and re-entry mobility by life-course stage

These indicators on the work-life balance are static and don't take cohort changes into account though they reflect women's participation behaviour in different life course stages. Another way of looking into the work-life balance is to examine to what extent mothers in different life course stages changes their participation across time and withdraw from the labour market (exit) or re-enter into employment. These dynamic indicators are presented in the next two graphs where we look into the proportions of coupled and single mothers between 25 and 55 years who exit and re-entry across two years.

Again the picture is very different between the two life course stages and across countries. The Nordic countries show low levels of exit among coupled mothers. Rather high levels of exit mobility of single mothers are observed in the Netherlands, Ireland, Finland, Iceland, Belgium and Greece. Re-entry rates of single mothers are very low in Italy, Ireland,

Luxemburg and Iceland and relatively high in the Nordic countries, the Netherlands and in Germany.



Work-life balance transition security

In addition, SILC is used to define a measure for work-life balance transition security. It departs from a transition matrix of working time and work-care combinations between t-1 and t. The matrix is then used to examine to what extent people move from one work-care combination into another the next year and whether that improves their opportunities to combine work and care, that is their work life balance transition security (cf. Kemperman, 2009).

To be able to calculate WLB transition security, information is needed about the number of working hours and preferably also about the number of caring hours people spent each week. Whether the actual work-care combination in terms of working and caring hours improves people's work-life balance depends on how the combination meets people's personal preferences for working time and leisure. We don't think like in Hakim's preference formation theory (2001) that preferences are set at the beginning of the career and fixed for the rest of their working lives, but we do think that a flexible supply of various work-care combinations might better fulfil the preferences of women and might better fit to their work-life balance needs. This however requires information on the extent by which men and women are able to meet their working time preferences on the labour market with a view to combining work and care.

SILC contains information on hours of work for the head, the partner and all other household members but no information on time spent to caring nor on how many hours they prefer to work. Information on caring time and working time preferences is however available in some other surveys like some national panel studies such as the German SOEP. Information on time spent to caring is also available in time use surveys. Though the SILC data contain little time use information we were able to calculate a simple WLB transition security measure indicating the number of people improving or impairing their employment security (in terms of working hours) moving from one work-care combination into another.

The measure is based on the number of hours worked by the partner in a partnered household and the presence of dependent children between 0 and 24 years needing care according to the Eurostat definition used in SILC. The starting point is the following transition matrix (Table 4.3).

Table 4.3: Transitions in work-care combinations defined by the partner's number of hours spent on work and caring duties in partnered households

Work-Care Combinations	No Work, No Care	Care only	PT work, No care	Work, Only (FT)	SPT Work + Care	PT Work + Care	LPT Work + Care	FT Work + Care
Value	0	1	2	3	4	5	6	7
No Work, no Care	1=	2+	3+	4+	5+	6+	7+	8+
Care only	9-	10=	11+	12+	13+	14+	15+	16+
PT Work, no Care	17-	18-	19=	20+	21+	22+	23+	24+
Work only (FT)	25-	26-	27-	28=	29+	30+	31+	32+
SPT Work + Care	33-	34-	35-	36-	37=	38+	39+	40+
PT Work + Care	41-	42-	43-	44-	45-	46=	47+	48+
LPT Work + Care	49-	50-	51-	52-	53-	54-	55=	56+
FT Work + Care	57-	58-	59-	60-	61-	62-	63-	64=

Note: Work-Care Combinations: SPT=Short part time work 0-15 hours a week; PT=Part-Time work 16-24 hours; LPT=Long part-time work 25-35 hours, FT=Full-time work >35 hours

Source: Reworked from Kemperman, 2009, own additions

People are classified into eight categories of which four categories represent different work-care combinations and four represent situations in which people either do not work nor care, work only or care only. The four work-care combinations are distinguished according to the number of hours the partners in the household work. They can work short part-time, part-time, long part-time or full-time. The more they work the less time there is available for caring. Since no information is available on the hours spent to caring it is assumed that the remainder of hours after subtracting working hours, and fixed numbers of hours for eating, shopping, personal care and relaxing, is available and needed for care due to the presence of one or more dependent children below 25 years of age.

We assume that movements along the diagonal represent lateral movements in terms of employment security causing no change in WLB transition security. People might still change their combination of working hours and caring hours from year to year but within the limits defined by the various categories of part-time and full-time work. These lateral movements are indicated by the equal (=) sign. Movements from the four not-combining work and care categories to the four work-care combination categories are seen as an upward move in terms of WLB transition security and indicated by the plus (+) sign. Movements within the various combination categories are seen as an upward move (indicated by a + sign) if care is combined with more working hours and as a downward move (indicated by the – sign) when care is combined with less working hours. Eventually, for those not combining moving from ‘care only’ to ‘work only’ is seen as an upward move and from ‘work only’ to ‘care only’ as a downward move in terms of transition security. We first calculate the proportions of people belonging to the eight categories of WLB combination security for 2006.

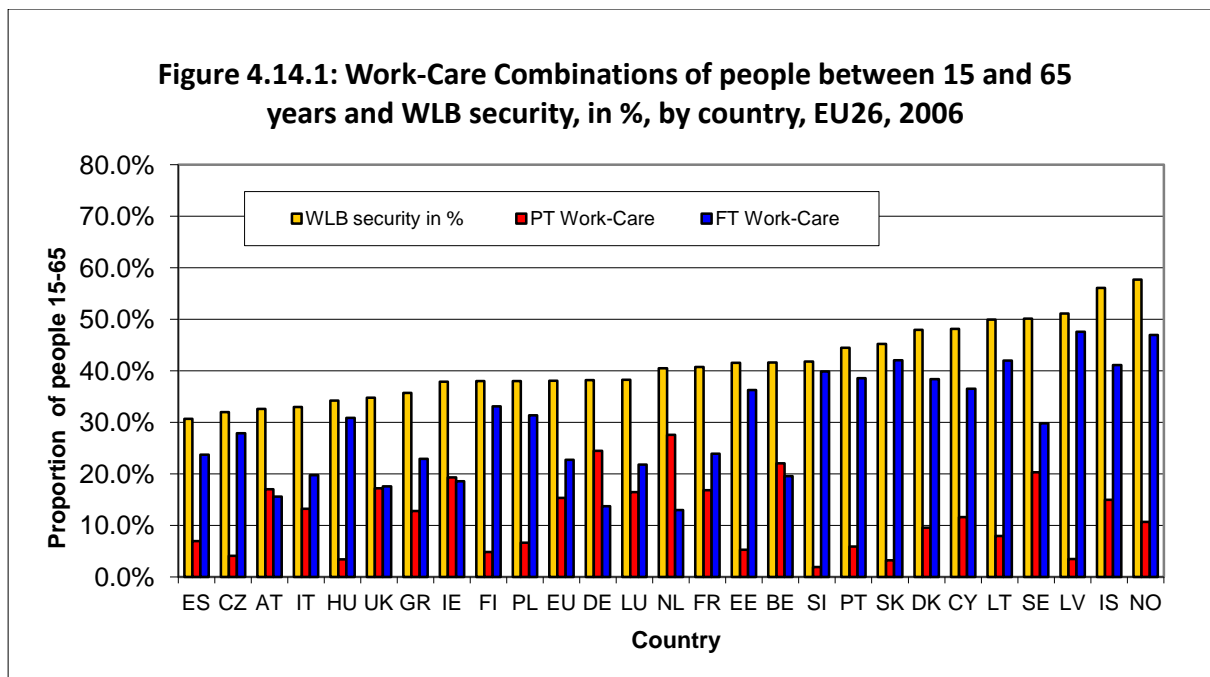
Table 4.4: Proportions of (employed) people 15-65 years living in partnered households, belonging to various work-care combinations, EU26, 2006

Work-Care Combinations	All Households In %	Employed households In %
Partner no work, no care	19.85	9.7
Partner FT work, no care	18.89	11.29
Partner only care, no work	7.41	9.98
Partner PT work, no care	14.89	20.38
Partner short PT work plus care	3.53	4.66
Partner PT work plus care	6.02	7.76
Partner Long PT work plus care	6.07	7.8
Partner FT work plus care	23.33	28.43
Total	100	100

Source: Eurostat, SILC 2003-2006

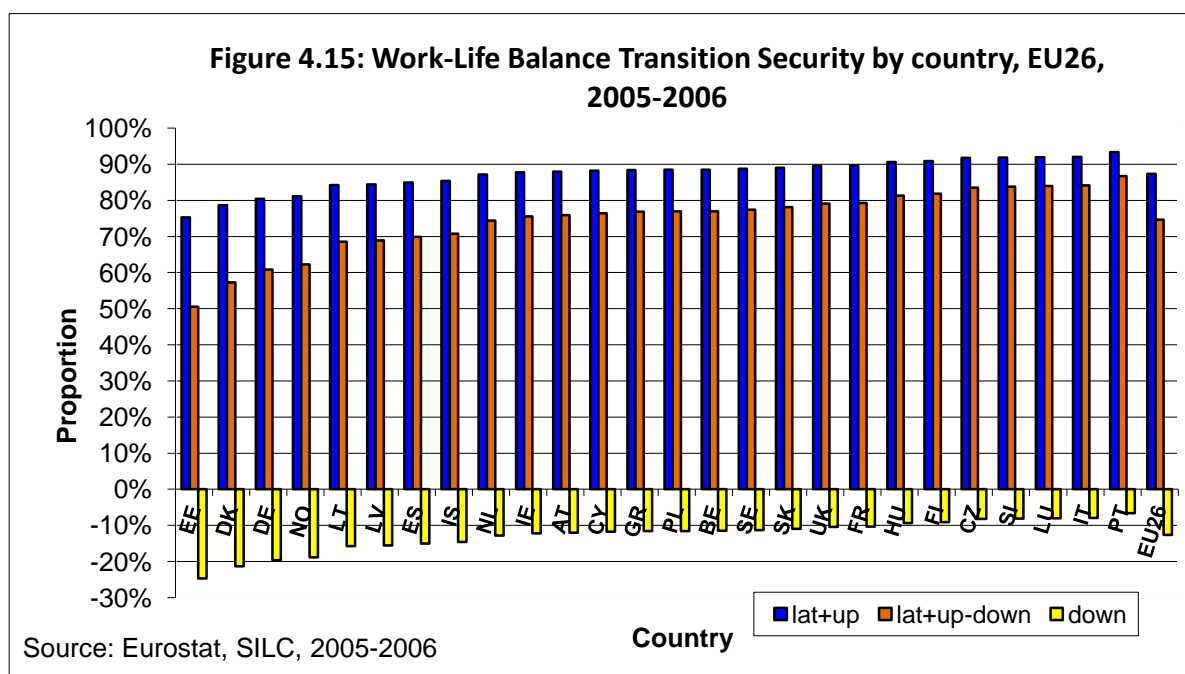
Almost 40% of all partnered households seem to combine work and care but almost 50% of the employed households (household with the head or any other household member employed). The partners combining full-time work with caring duties are the largest group, consisting of almost 25% of all households and 30% of households with an employed person.

In Figure 4.14.1 the proportions of people combining work and care by country are shown in which a further distinction is made between combining part-time work and care and full-time work and care. WLB security is defined as the share of people either combining part-time work and care or full-time work and care. The Nordic countries (Finland, Norway, Iceland, Sweden, Denmark) show the highest fractions of people combining work and care though most of these women work full-time and not part-time. A similar pattern of many women combining full-time work and care and few women combining part-time work and care is observed in the Baltic and Eastern countries, such as in Latvia, Estonia and Lithuania and in Slovenia and Slovakia. The Southern countries (Spain, Italy, Greece) show the lowest fractions of people combining work and care. Part-time work and care combinations are very common in the Netherlands and Germany, but also in Ireland, the UK and Austria.



From the transition matrix in Table 4.4., we calculated the transition rates for moving between the eight work-care combinations we defined before. We calculated the upward, downward and lateral transition probabilities for moving between the various work-care combinations. In 3 out of 4 partnered households the level of transition security remained the same across the years 2005 and 2006 especially in Portugal, the Czech Republic and Italy. One in four partnered households changed transition security, equally split between upward movements, 13%, and downward movements, 13%. Sweden has the highest upward movement and Estonia the largest downward movement in these two years (25%). Also Denmark showed a large downward movement and also has one of the lowest net improvements in transition security (lateral plus upward minus downward movement). But also Estonia and Germany share low rates of net improvements in transition security. The differences across countries appear smaller than the differences in work-care combinations we observed earlier. It seems that in all countries there is a tendency to combine work and care more than it used to be, but the form in which it occurs differs. In some countries

women combine full-time work and care and in others, part-time work combined with care is more prevalent. Whether the various combinations improve the work-life balance depends on partner's preferences for combining work and care. These preferences though are dependent on the existing social norms as well as on the structure and level of institutional support for women to combine work and care.



4.3. Methodology of presenting evidence on flexicurity policies

In chapter 3 we already reported on the Netherlands to show how the radar charts approach might be a good way to present multidimensional information on the relative performance of countries on the various components of flexicurity and work-life balance policies. The evidence on the indicators might be supplemented with the information on the efforts and challenges of the national actors and how they cope with these with more or less success.

Visualisation of outcomes

There are several ways to present the outcome information on indicators after normalisation or standardisation, for example, using ordinary tables, using two-dimensional or three dimensional plots, using radar charts (see the EMCO report 2008) or more refined methods like the DEA (development analysis) method. The latter though is basically a method for constructing composite indicators and will therefore not be discussed in detail. Two-dimensional plots allow to plot two indicators, three-dimensional plots three indicators, but the radar charts three or more indicators (in two-dimensional space) which is useful given the various main areas of policies. Tables provide information on one single dimension but for the entire EU. The big advantage of radar charts is that they can depict more than three dimensions in two-dimensional space. We might even use them for depicting changes in indicators over time. With large numbers of indicators the complexity of radar charts

increases although we might in that case think of using composite indicators to overcome the complexity of visualisation of single indicators. Radar charts can of course be used for depicting the results on static as well as dynamic indicators and even on changes in indicators over time though with more than two years the evidence becomes hard to grasp (see the EMCO graphs in chapter 3). The charts can be constructed for comparisons of countries but also for comparisons between different social groups. The method provides therefore a strong tool for monitoring purposes. One clear disadvantage from an analytical point of view is that they represent the bivariate relationship between the indicator of concern and country whereas from an analytical point of view the researcher might be interested in the multivariate relationships as well though the outcomes of those analyses (parameter estimates) can be presented in these radar charts as well. The EMCO studies already showed how the radar charts can be used to show the information on transition indicators. When the number of indicators increases, the radar charts are not very appropriate anymore to render a clear comparative picture and there is need to reduce the information either by using composite indicators which are then mapped out in radar charts or by limiting the number of indicators by focusing on a few main indicators only. It depends for which purposes the charts are used. For analytical purposes composite indicators are sometimes more appropriate since they render one figure for each country instead of a multitude as dashboards of single indicators do. For policy purposes there is need for indicators with a clear substance and message for which single indicators seem better equipped.

Flexicurity as a ‘Policy Strategy’: A Framework for monitoring Flexicurity in the Member States

5.1. Monitoring the progress of flexicurity policies

The framework to be developed in this chapter aims at contributing to the broader effort undertaken by the European Commission (EU) in monitoring (the progress and implementation of) flexicurity (FLC) and work life balance (WLB) policies in the Member States (MS). The approach we take is twofold and sets out to develop two checklist methodologies that can be used by the EC.

- A. The first checklist methodology focuses on assessing the policy efforts put in by Member States in achieving the flexicurity oriented goals formulated in the European Employment Strategy (EES) and the Lisbon Agenda.⁸ This is done by checking whether these policy efforts are
 - i. aligned with the EU policy guidelines (EES and Lisbon Agenda)
 - ii. internally consistent
 - iii. operationalised with clear and quantified goals that can be monitored.
- B. The second checklist methodology takes the common principles and components of flexicurity as a starting point and introduces dynamic indicators that may serve to measure the progress MS make along these principles and components. Dynamic indicators pertain to changes in institutions (such as changes in EPL or replacement rates) as explained in chapter 3 and to transition or duration outcomes as theoretically worked out in Table 2.1 and operationalised in chapter 4. The development of a set of dynamic transition flexicurity indicators has been the main emphasis of this study.

5.2 The ESC model for monitoring MS policies

Using the ESC model, articulated in the previous sections, we can arrive at a framework to monitor flexicurity policies. The monitoring framework is presented in Figure 5.1. Both, at the EU and Member State level policies can be analysed using the Efforts-States-Challenges

⁸ This report refers to the current Lisbon Agenda, but the methodology presented can be easily adapted to the newly emerging EU 2020 Agenda,

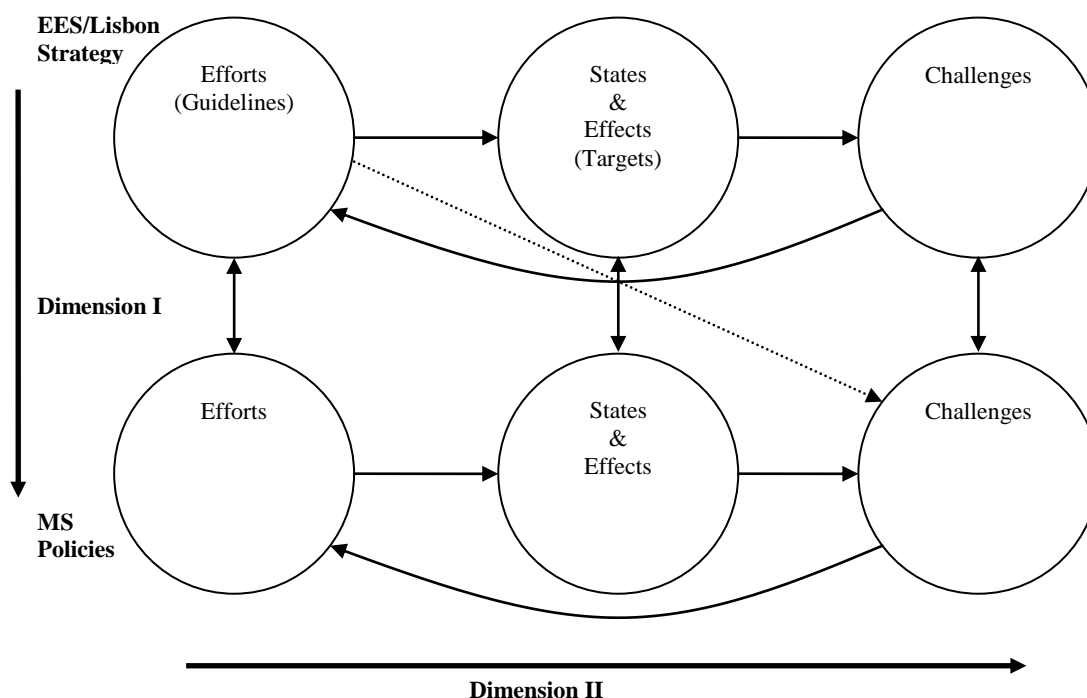
approach. However, policies at the EU level as implemented in the European Employment Strategy (EES) are not under scrutiny here. Rather, in the EES, Guidelines are put forward which are expected to translate into efforts at the MS level (solid arrow), or into challenges at the MS level (dashed arrow)

In particular, in the monitoring framework, member states' policies will be checked along the following three dimensions (two of which are shown in Figure 1 above).

- I. Alignment of MS policies with the EES Guidelines
- II. Internal consistency and coherence in MS policies by using an analytical framework (Efforts-States-Challenges model) for analysing the MS policy strategy
- III. Operationalisations of policy goals with the use of clear quantitative (EMCO or other) targets and indicators.

In its simplest form Member States' policies can score 'Yes' or 'No' on all three dimensions. This means that a national policy that is perfectly aligned with the EES Guidelines, shows a sufficient degree of internal consistency and has the relevant quantifiable goals in place score 'Yes' three times. In practice we will see more gradual qualifications and in what follows, we will elaborate on each of the three dimensions.

Figure 5.1: Monitoring framework



Dimension I

Firstly, we distinguish the dimension of alignment of national policy with the flexicurity oriented Guidelines from the EES. From the description of the national policy framework one should easily be able to derive whether the proposed policy measures are indeed responding to the Guidelines proposed in the EES. Furthermore it should be straightforward to indicate

which Guidelines are over, underrepresented, or even not reflected in the Member States' policies.

Some Guidelines are associated with specific targets that were mentioned explicitly in the Lisbon Strategy, e.g. the participation rate goal of 70% for males and 60% for females in 2010. Alignment with these specific targets is easily checked by looking at the current state of affairs with the relevant indicator and the formulated efforts to reach the Lisbon Strategy target. If the national policy does not mention the target, there is no alignment at all. When the national policy does mention the target and the current state of affairs, but does not formulate efforts to reach the target, there is partial alignment.

Guidelines can be characterized either as directed to Efforts, States or Challenges for the entire EU. This means that both, the EES and the national policy plans can be analysed using the Efforts-States-Challenges approach. However, as we already noted the EES as such is not part of the research and the EES in its practical operation and consequences for MS policies is particularly featured by the setting of concrete specific targets, rather than by the States or Effects which are of more relevance to the MS's.

The alignment of MS policies should be investigated using the vertical columns representing Efforts, States and Challenges on the EES Guidelines and MS national policy level respectively. Alignment of Efforts, States and Challenges does not mean that they have to be the same across the EU27. Different pathways to flexicurity exist – and are acknowledged by the EC – and different Challenges lead to different Efforts and hence, pathways. For example, due to the financial crisis that has hit the MS in different ways, MS are in different States despite similar Efforts and as a result the Challenges and pathways will possibly also differ (or continue to differ further). In other words, we expect to find groups of countries where one or another aspect of flexicurity is emphasized while other aspects are not regarded. Member states can be categorised depending on these pathways, also using the ESC methodology. Also, when aligning the MS policies with the EES Guidelines and the Lisbon Strategy targets, it is important that the States & Effects are more or less aligned. A gap in Efforts between the national policies and the Guidelines does not necessarily represent a big problem, since countries have their own beliefs about the best route to follow, and their own path-dependent roots and strategies in pursuing their own policies. This is reflected in the open method of coordination (OMC). However, it should be clear that each MS is gearing its efforts towards a certain State, where guidance is offered by the concrete EES target settings, leading to at least some degree of 'performance convergence' in Europe. Hence, the commonly agreed targets set at the EU level in the OMC process permit the MS to analyse their own performance with due consideration of regional differences within their own country e.g. by allowing different targets for different regions dependent on differences in the Challenges and States & Effects at the regional level.

Dimension II

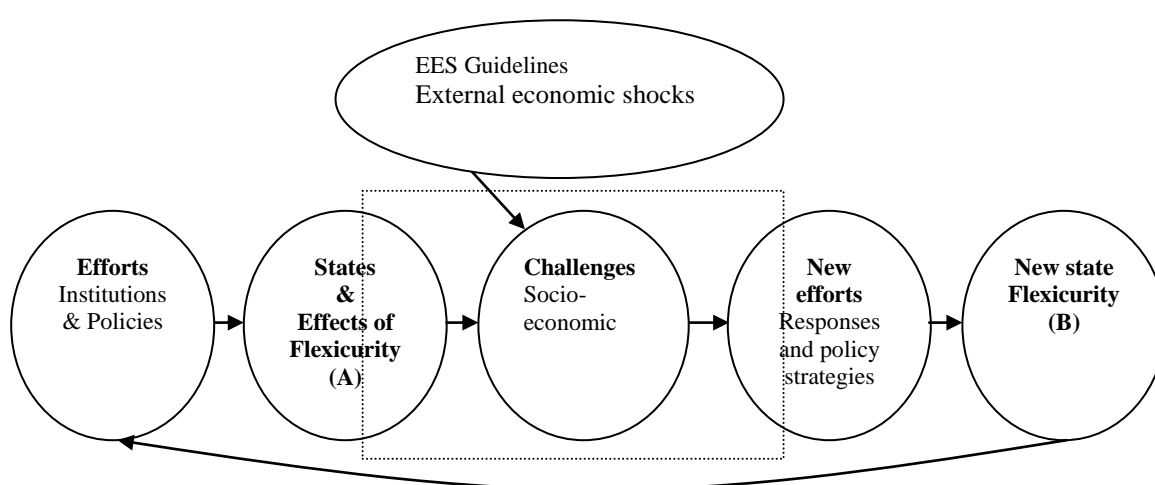
On the second dimension, the ESC approach is used to check the internal consistency of the proposed MS policies. First of all, the proposed policy measures are mapped on to the three ESC-dimensions of Efforts, States and Challenges. The main consistency check is done by assessing whether the identified Efforts, States and Challenges are consistent with each other and to what extent the resulting Challenges lead to new policy proposals or Efforts.

Furthermore the relation of the proposed policy measures (new Efforts) to the States and Challenges distinguished along the elements of the flexicurity matrix (internal-external and numerical-functional flexibility on the one hand and income, job, employment, wage

and combination security on the other) can be assessed. Are all elements of the flexicurity matrix consistently covered in the identified Efforts, States and Challenges? For this purpose, we elaborated an extended and dynamic input-output model, disentangling efforts, states and challenges over time (see Fig. 5.2).

In this extended dynamic framework the EES Guidelines and concrete target settings feed into the process as Challenges, together with external economic shocks (such as the credit crunch) and the MS evaluation of their own Efforts and States in the previous round. All of these combined accounts result in socio-economic Challenges that need to be tackled with policy responses (New efforts) resulting in a 'New state of flexicurity'. The new state (B) is then the starting point for a new policy cycle in a next round of consultation and evaluation.

Figure 5.2: Dynamic ESC model for checking internal consistency



In our monitoring framework we are checking whether the policy Challenges follow logically from the States and Effects of Flexicurity (A) and whether the New efforts are explicitly linked to the identified Challenges. Furthermore we can check the internal consistency of policy proposals and see to what extent they follow the flexicurity matrix and the 'common principles' of flexicurity (see Appendix A). The consistency check though with regard to the common principles is part of our second checklist methodology B. Under A it is just checked whether all elements of the flexicurity matrix are covered or not. This means, among other things that measures with regards to the various forms of flexibility are accompanied with measures dealing with the various forms of security in national policy plans.

However, an important proviso to this approach is warranted. Even, when raising relatively simple questions (e.g. "Are policy measures creating an imbalance between flexibility and security?") it does not suffice to just count the scores on flexibility and security measures and see if the resulting numbers are in balance. Rather it, ultimately, involves due to their interrelationship, checking all the consequences for all relevant forms of flexibility and security (e.g. as encompassed in the flexicurity matrix) and subsequently weigh these consequences against each other. This would typically ask for in-depth evaluation research which goes beyond the scope of a simple 'checklist' methodology, and which easily appears unfeasible and impractical. But for analytical purposes this concern must be taken into mind. In this respect, for analytical purposes, the use of composite flexicurity indicators might be

very helpful. Furthermore, for countries that have shifted employment policy responsibilities to lower levels of government, it would be natural when MS's view these regional policy plans with the same monitoring framework though with different target settings. This holds in particular for large countries (e.g. Spain) with large regional differences in labour market conditions and outcomes, but also for countries with different policies for different regions, such as Belgium.

Dimension III

In a third step it is investigated whether specific policy goals are formulated or not, whether they are quantified or not and which indicators are used for quantifying the policy goals and effects. In particular, reference must be made to the concrete targets set in the EES framework as a starting point for analysing one's own MS performance. In addition to these targets, policy plans should provide the indicators used to show the MS 'State of Flexicurity' as well as providing clear indications of the policy efforts made with which effects. One can understand how some policy efforts cannot be easily quantified, especially those which deal with legal changes which effects are sometimes hard to measure. However, MS should make an effort in providing necessary information concerning the Efforts, States and Effects of their flexicurity policies. Furthermore we can assess whether use is made of proper indicators by the MS, and whether they align with the indicators agreed on at the EU level.

Scoring or checking policy plans on these three dimensions will give considerable insight into the overall quality of policy plans operationalised by alignment, internal consistency, completeness and the meeting of quantified goals in the EES framework. With respect to the writing up of National Reform Plans by the MS it could help to harmonise the reporting format across Member States and to improve the monitoring capabilities of the Commission and to make them more efficient. Given the nature of national policies in general (viz. not directly related to EU directives or guidelines) it would be troublesome to extend this harmonisation of writing up policy plans beyond the NRP or EES framework. In what follows, we illustrate this approach by scoring and checking a fictitious National Reform Plan on the three dimensions for the period 2008-2010.

5.2.1 Illustration of the monitoring of MS policies: the EES as a starting point

To illustrate the monitoring framework described above, we will now use the format of a fictitious National Reform Plan to illustrate how the monitoring based on the flexicurity and other employment Guidelines in the EES can be achieved. The starting point is again constituted by the three dimensions:

- I: Alignment of NRP with EES Guidelines
- II: Internal consistency and coverage of elements from the flexicurity matrix
- III: Quantified goals and coverage of indicators

Ad I. Alignment of the NRP with the EES Guidelines

The guidelines offer the possibility to check whether the policy plans make explicit reference to each of them. This is shown in Table 5.1.

Table 5.1: Alignment of the NRP with the European Employment Strategy Guidelines⁹

<i>Macroeconomic Guidelines</i>	<i>Explicitly mentioned in the NRP</i>
(1) To secure economic stability.	<input checked="" type="checkbox"/>
(2) To safeguard economic and fiscal sustainability.	<input checked="" type="checkbox"/>
(3) To promote a growth- and employment-orientated and efficient allocation of resources.	<input checked="" type="checkbox"/>
(4) To secure economic stability for sustainable growth.	<input checked="" type="checkbox"/>
(5) To ensure that wage developments contribute to macroeconomic stability and growth.	
(6) To contribute to a dynamic and well-functioning EMU.	<input checked="" type="checkbox"/>
<i>Microeconomic Guidelines</i>	
(7) To increase and improve investment in R & D, in particular by private business.	<input checked="" type="checkbox"/>
(8) To facilitate all forms of innovation.	<input checked="" type="checkbox"/>
(9) To facilitate the spread and effective use of ICT and build a fully inclusive information society.	<input checked="" type="checkbox"/>
(10) To strengthen the competitive advantages of its industrial base.	<input checked="" type="checkbox"/>
(11) To encourage the sustainable use of resources and strengthen the synergies between	<input checked="" type="checkbox"/>
environmental protection and growth.	<input checked="" type="checkbox"/>
(12) To extend and deepen the internal market.	<input checked="" type="checkbox"/>
(13) To ensure open and competitive markets inside and outside Europe and to reap the benefits of globalisation.	<input checked="" type="checkbox"/>
(14) To create a more competitive business environment and encourage private initiative	<input checked="" type="checkbox"/>
through better regulation.	<input checked="" type="checkbox"/>
(15) To promote a more entrepreneurial culture and create a supportive environment for	<input checked="" type="checkbox"/>
SMEs.	<input checked="" type="checkbox"/>
(16) To expand, improve and link up European infrastructure and complete priority cross-border projects.	<input checked="" type="checkbox"/>

⁹ Document 10614/2/08 REV 2, Council of Europe, URL:
<http://register.consilium.europa.eu/pdf/en/08/st10/st10614-re02.en08.pdf>

Table 5.1 (continued)

Employment Guidelines	Explicitly mentioned in the NRP
<p>The following (EU) targets and benchmarks have been agreed in the context of the European Employment Strategy:</p> <ul style="list-style-type: none"> • that every unemployed person is offered a job, apprenticeship, additional training or other employability measure; in the case of young persons who have left school within no more than 4 months by 2010 and in the case of adults within no more than 12 months; • that 25 % of long-term unemployment should participate by 2010 in an active measure in the form of training, retraining, work practice, or other employability measure, with the aim of achieving the average of the three most advanced Member States; • that jobseekers throughout the EU are able to consult all job vacancies advertised through Member States' employment services; • an increase by five years, at EU level, of the effective average exit age from the labour market by 2010 compared to 2001 	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
(17) Implement employment policies aiming at achieving full employment, improving quality and productivity at work, and strengthening social and territorial cohesion.	<input checked="" type="checkbox"/>
<ul style="list-style-type: none"> • Policies should contribute to achieving an average employment rate for the European Union (EU) of <ul style="list-style-type: none"> ○ 70 % overall in 2010, of at least ○ 60 % for women in 2010 and of ○ 50 % for older workers (55 to 64) by 2010, and to reduce unemployment and inactivity. • Member States should consider setting <i>national employment rate targets</i>. 	<input checked="" type="checkbox"/> 2007 <input checked="" type="checkbox"/> 2007 <input checked="" type="checkbox"/> 2007 National targets based on national definitions set for women, older workers and ethnic minorities
<p>In addressing these objectives (above), action should concentrate on the following priorities:</p> <ul style="list-style-type: none"> • attract and retain more people in employment (1), increase labour supply (2) and modernise social protection systems (3) • improve adaptability of workers (1) and enterprises (2), • increase investment in human capital through better education (1) and skills (2). 	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>

Table 5.1 (continued)

Employment Guidelines	Explicitly mentioned in the NRP
(18) Promote a life-cycle approach to work.	<input checked="" type="checkbox"/>
<ul style="list-style-type: none"> • a renewed endeavour to build employment pathways for young people (1) and reduce youth unemployment (2), as called for in the European Youth Pact, • resolute action to increase female participation (1) and reduce gender gaps in employment (2), unemployment (3) and pay (4), • better reconciliation of work and private life(1) and the provision of accessible and affordable childcare facilities (2) and care for other dependants (3), • support for active ageing, including appropriate working conditions (1), improved (occupational) health status (2) and adequate incentives to work (3) and discouragement of early retirement (4), • modern social protection systems, including pensions and healthcare (1), ensuring their social adequacy (2), financial sustainability (3) and responsiveness to changing needs (4), so as to support participation and better retention in employment and longer working lives. 	<input type="checkbox"/> <input type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/>
(19) Ensure inclusive labour markets, enhance work attractiveness, and make work pay for job-seekers, including disadvantaged people, and the inactive.	<input checked="" type="checkbox"/>
<ul style="list-style-type: none"> • active and preventive labour market measures including early identification of needs, job search assistance, guidance and training as part of personalised action plans (1), provision of necessary social services to support the inclusion of those furthest away from the labour market (2) and contribute to the eradication of poverty (3), • continual review of the incentives and disincentives resulting from the tax and benefit systems, including the management and conditionality of benefits (1) and a significant reduction of high marginal effective tax rates (2), notably for those with low incomes, whilst ensuring adequate levels of social protection (3), • development of new sources of jobs in services for individuals and businesses, notably at local level. 	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
(20) Improve matching of labour market needs.	<input checked="" type="checkbox"/>
<ul style="list-style-type: none"> • the modernisation and strengthening of labour market institutions, notably employment services, also with a view to ensuring greater transparency of employment and training opportunities at national and European level, • removing obstacles to mobility for workers across Europe within the framework of the Treaties, • better anticipation of skill needs, labour market shortages and bottlenecks, • appropriate management of economic migration. 	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>

Table 5.1(continued)

Employment Guidelines	Explicitly mentioned in the NRP
(21) Promote flexibility combined with employment security and reduce labour market segmentation, having due regard to the role of the social partners.	<input checked="" type="checkbox"/>
<ul style="list-style-type: none"> the adaptation of employment legislation, reviewing where necessary the different contractual and working time arrangements, addressing the issue of undeclared work, better anticipation and positive management of change, including economic restructuring, notably changes linked to trade opening, so as to minimise their social costs and facilitate adaptation, the promotion and dissemination of innovative and adaptable forms of work organisation, with a view to improving quality and productivity at work, including health and safety, support for transitions in occupational status, including training, self-employment, business creation and geographic mobility. 	<input checked="" type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input checked="" type="checkbox"/>
(22) Ensure employment-friendly labour cost developments and wage-setting mechanisms.	<input checked="" type="checkbox"/>
<ul style="list-style-type: none"> encouraging social partners within their own areas of responsibility to set the right framework for wage bargaining in order to reflect productivity and labour market challenges at all relevant levels and to avoid gender pay gaps, reviewing the impact on employment of non-wage labour costs and where appropriate adjust their structure and level, especially to reduce the tax burden on the low-paid. 	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/>
(23) Expand and improve investment in human capital.	<input checked="" type="checkbox"/>
<ul style="list-style-type: none"> inclusive education and training policies and action to facilitate significantly access to initial, vocational, secondary and higher education, including apprenticeships and entrepreneurship training, significantly reducing the number of early school leavers, efficient lifelong learning strategies open to all in schools, businesses, public authorities and households according to European agreements, including appropriate incentives and cost-sharing mechanisms, with a view to enhancing participation in continuous and workplace training throughout the life-cycle, especially for the low-skilled and older workers. 	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/>

Table 5.1 (continued)

Employment Guidelines	Explicitly mentioned in the NRP
(24) Adapt education and training systems in response to new competence requirements.	<input checked="" type="checkbox"/>
<ul style="list-style-type: none"> raising and ensuring the attractiveness, openness and quality standards of education and training (1), broadening the supply of education and training opportunities (2) and ensuring flexible learning pathways and enlarging possibilities for mobility for students and trainees (3), easing and diversifying access for all to education and training and to knowledge by means of working time organisation, family support services, vocational guidance and, if appropriate, new forms of cost sharing, responding to new occupational needs, key competences and future skill requirements by improving the definition and transparency of qualifications (1), their effective recognition and the validation of non-formal and informal learning (2). 	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/>

In table 5.1 above, the alignment of a fictitious NRP to the Guidelines is examined by checking the implicit mentioning of the Guidelines themselves and, for the Employment Guidelines, also the priorities and other issues mentioned under the heading of these Guidelines in the European Council document 10614/2/08 REV 2. When issues are not explicitly mentioned under the Guideline, this does not necessarily mean that the government does not engage in these activities concerning these issues. Sometimes these issues are mentioned under other Guidelines. Furthermore, the mentioning of a policy goal or action in the NRP does not necessarily always result in real actions.

With these caveats taken in mind, we can formulate some issues which need to be part of the assessment:

- The reporting by the member states allows filling in table 5.1. that shows to what extent national policies are more or less fully aligned with the EES in the sense that the MS fully or only partially reports explicitly on priorities and other issues mentioned under the Employment Guidelines (17-24)
- Particularly important is the alignment with the generic EU targets and benchmarks specified in the European Council document. Are these mentioned and clearly reported on the MS achievement?
- Another focus is on how well the policy plans and reporting efforts explicitly refer to the various issues covered such as the work-life balance issue (Guideline 18) as one of the various important topics being part of the EES.
- The assessment which issues are clearly reported and which not, indicates the main focus of the national policy and show where possibly effort gaps exist leading to the formulation of new challenges.

Ad II. Internal consistency of the reform plan

One element of the assessment is to check the internal consistency of the reform plan. It first needs however an assessment whether policies are already up to date with the EES Guidelines meaning that there is no need to formulate new efforts and challenges. The check also concerns the question whether the policy plans mentioned in the NRP follow logically from the presented 'state of affairs' (states and effects).

Efforts

These are the policy endeavours in the past and the current existing measures and institutions. One can assess whether these are described in more or less detail in the NRP, basically only when they are deemed unsatisfactory and when there is need to be changed following the recommendations of the Commission in an earlier round.

States and effects

The reform plans will more or less extensively report on the states of affairs and the effects of previous efforts raising new challenges to policies. The assessment might examine on which issues policies are focused: on macro-economic policy, such as on the EMU balance and public debt, on micro-economic policy, e.g. on the competitiveness and innovation efforts, or on infrastructure and environmental issues. It shows the government's priorities and provides information on whether other policy areas might lack behind.

Challenges

In our framework, Challenges are primarily a confrontation of the EES/LS Guidelines, the consequences of external economic shocks and the 'States and effects (A)' of policies. New efforts should follow logically from the challenges identified. The assessment concerns the question as to which challenges are formulated by the member states and which not? Another question is which challenges follow the recommendations of the Commission and which are initiated by the member states themselves.

New efforts

The assessment need to examine very specifically which new efforts are undertaken and to what extent in terms of coverage of people and expenditures spent, but also with a view to the expected and achieved outcomes. Again, information on target setting and achievements in that respect are very important.

Consistency

The consistency check also requires that sufficient information is provided on which efforts and how much money is spent and how successful these efforts were. As mentioned before, checking the internal consistency of an NRP on the basis of the flexicurity matrix and the 'common principles' (see 5.3) is particularly time consuming, since it would involve the ex ante evaluation of all flexibility and security measures contained in the reform plans, and how they jointly contribute to improving the flexibility-security nexus. The checking of the efforts on the 'four policy components' of flexicurity is however relatively straightforward, but has already been performed in the first step (alignment with the EES) because the EES Guidelines almost completely overlap with the four components.

Ad III. Monitoring using (predefined) MS indicators for MS achievements

The assessment of the way of monitoring of the MS achievements by the member states themselves need a recording of the entire list of measures (*'new efforts'*) proposed in the national reform plans. These measures need to be characterized as 'inputs' or changes in the 'process' that should eventually lead to 'outputs' or 'impacts'.

Flexicurity guideline 21 requires to pay attention to the role of the social partners as an important 'process' variable. Furthermore the assessment need to investigate whether the NRP explicitly mentions a monitoring system for evaluating whether the aspired outputs and impacts are attained or not and to what extent. Also the reasons mentioned for failure or success and the tools used to evaluate provides valuable information on the self-assessment of the efficacy of past and current efforts. Another aspect of the assessment of the NRP's is to investigate whether the achievements are reported consistently. Information on the approaches and methodologies used by the government to measure (policy) outcomes in their NRP is of paramount interest for this part. The achievements constitute the 'states and effects (A)' of the ESC framework.

The following questions can be raised in this respect:

- Are the definitions of the indicators used in the NRP in line with the definitions of the indicators agreed on at the EU level?
- Are the data sources for the provision of these indicators mentioned and are they appropriate for the envisaged indicators?

This implies that as part of the assessment policy measures should be examined with respect to the following questions:

- Which specific input is foreseen?
- What is said about the process to achieve the intended outcomes?
- What is the intended output?
- What is the intended impact?
- Is a monitoring device determined?
- Which role is foreseen for the social partners

One of the major issues for the assessment is to what extent the listing of the measures and the monitoring of its efficacy and accuracy refer to the following specific flexicurity Guidelines:

- Guideline 21: to promote flexibility combined with employment security (goal 1) and reduce labour market segmentation (goal 2), with the necessary attention to the role of the social partners.
- Guideline 22: To ensure employment-friendly wage and other labour cost developments (goal 3).
- Guideline 23: To expand and improve investment in human capital (goal 4).
- Guideline 24: To adapt education and training systems in response to new competence (goal 5).
- (in the previous sections, Guidelines 17 to 20 are also included)

5.2.2 Monitoring the common principles and components of flexicurity using dynamic indicators

The first checklist methodology outlined above concentrates on the flexicurity oriented EES Guidelines and uses the MS NRP's to check on the progress and internal consistency of MS policies in developing and implementing flexicurity.

The second checklist methodology takes a different angle by setting out from the common principles and components of flexicurity as identified by the EC and approved by the Council. Moreover, this methodology is based on the concept of transition or dynamic indicators, the development of which is at the core of this research report. The methodology which is called the stocks-flows-outcome (SFO)-approach is worked out in chapter 2 whereas the indicators are operationalised in chapter 4. A distinction is made between institutional and outcome indicators. Dynamic indicators therefore measure changes in flexicurity institutions and flexicurity outcomes over time. Dynamic indicators therefore do justice to the truly dynamic nature of the flexicurity concept. The further advantage of statistical dynamic indicators from the point of monitoring, lies in the fact that, once constructed, underpinned by the required statistical data and commonly approved, they do not require actions from the MS other than supplying the relevant statistical data to the EU. In other words, these indicators can be applied and used for monitoring by the EC (e.g. by the country desks) without further input or intervention from the MS.

In chapter 4, we presented and tested the set of indicators whereas in chapter 6 we further explain how the indicators can fulfill a role in the policy coordination process at the EU level. In this chapter 5 we show how this set can be used for the monitoring of MS flexicurity policies.

In terms of the ESC model we consider the common principles and components of flexicurity as (policy) Challenges leading to particular Efforts as agreed upon by the MS. Dynamic indicators on institutions and on outcomes can then be seen as indicating the 'State of Flexicurity' in a country. However, dynamic or flow indicators, other than static or stock indicators, do measure 'active' States, i.e. changes over time in the various flexicurity relevant statuses that individuals have in and outside the labour market. This longitudinal nature, usually covering a one year period (but which period can be extended provided the availability of data), also implies that dynamic indicators are relevant in view of the Challenges dimension of our ESC-model. Which indicators MS themselves want to use is likely to be affected by their awareness and acknowledgement of particular challenges. The acceptance and introduction of a set of dynamic indicators might therefore contribute to MS awareness and the design of new or reinforced policy Efforts. The use of these transition indicators then lead to an assessment of the 'State of Flexicurity' by the MS. In the next stage the outcomes of the MS assessments based on the indicators will be confronted with their own goals and targets or those agreed on at the EU level leading to new Challenges to be tackled with new Efforts.

The set of transition indicators can be associated with the common principles and, more specifically, the four policy components of flexicurity. The common principles as they are defined are fairly general in nature (see Box 5.1 for the text).

Box 5.1 Common Principles of Flexicurity adopted by the EPSCO Council on the 5th of December 2007

- (1) Flexicurity is a means to reinforce the implementation of the Lisbon Strategy, create more and better jobs, modernise labour markets, and promote good work through new forms of flexibility and security to increase adaptability, employment and social cohesion.
- (2) Flexicurity involves the deliberate combination of flexible and reliable contractual arrangements, comprehensive life long learning strategies, effective active labour market policies, and modern, adequate and sustainable social protection systems.
- (3) Flexicurity approaches are not about one single labour market or working life model, nor about a single policy strategy: they should be tailored to the specific circumstances of each Member State. Flexicurity implies a balance between rights and responsibilities of all concerned. Based on the common principles, each Member State should develop its own flexicurity arrangements. Progress should be effectively monitored.
- (4) Flexicurity should promote more open, responsive and inclusive labour markets overcoming segmentation. It concerns both those in work and those out of work. The inactive, the unemployed, those in undeclared work, in unstable employment, or at the margins of the labour market need to be provided with better opportunities, economic incentives and supportive measures for easier access to work or stepping-stones to assist progress into stable and legally secure employment. Support should be available to all those in employment to remain employable, progress and manage transitions both in work and between jobs.
- (5) Internal (within the enterprise) as well as external flexicurity are equally important and should be promoted. Sufficient contractual flexibility must be accompanied by secure transitions from job to job. Upward mobility needs to be facilitated, as well as between unemployment or inactivity and work. High-quality and productive workplaces, good organisation of work, and continuous upgrading of skills are also essential. Social protection should provide incentives and support for job transitions and for access to new employment.
- (6) Flexicurity should support gender equality, by promoting equal access to quality employment for women and men and offering measures to reconcile work, family and private life.
- (7) Flexicurity requires a climate of trust and broadly-based dialogue among all stakeholders, where all are prepared to take the responsibility for change with a view to socially balanced policies. While public authorities retain an overall responsibility, the involvement of social partners in the design and implementation of flexicurity policies through social dialogue and collective bargaining is of crucial importance.
- (8) Flexicurity requires a cost effective allocation of resources and should remain fully compatible with sound and financially sustainable public budgets. It should also aim at a fair distribution of costs and benefits, especially between businesses, public authorities and individuals, with particular attention to the specific situation of SMEs.

The specific set of dynamic indicators we have developed particularly relates to the following common principles:

- *Principle 2*: this principle highlights the four policy components of flexicurity (see below)
- *Principle 4*: this principle emphasizes the importance of ‘good’ transitions in the labour market and upward development (stepping stones)
- *Principle 5*: this principle stresses internal flexicurity (within the firm) secure transitions, the upgrading of skills and new employment opportunities
- *Principle 6*: this principle deals with the key goal of the work-life balance and with equal access to high quality employment opportunities.

In the checklist that follows below we take the four flexicurity policy components, as referred to under principle 2, as the main flexicurity Challenges leading to particular Efforts and measured by the set of indicators:

- FLCA: flexible and reliable contractual arrangements,
- LLL: comprehensive life long learning strategies,
- ALMP: effective active labour market policies and
- MSS: modern, adequate and sustainable social protection systems

In the checklist we do not separately refer to the relevant common principles as discussed above. Principle 4 is addressed by the choice for transition indicators and the way they are designed to allow measuring ‘good’ and ‘bad’ transitions. Principle 5 refers to the second policy component of Life Long Learning and the indicators we developed on education and training. Principle 6 about work-life balance and equal access is being addressed by the fourth component of modern social security systems for which we developed various separate indicators (see table 5.2) and by disaggregating our indicators by gender and education level. Since we focused on developing dynamic outcome indicators and not on the institutional indicators for which the data used here are inappropriate we list only these. However, for assessing the performance of countries both types of institutional and outcome indicators are however important and complement each other to arrive at a comprehensive picture. As shown in chapter 3, outcome and institutional indicators provide a dissimilar picture on the performance of countries.

Three further general remarks need to be made.

- First, we assume that for each MS (given the availability of the data) the dynamic indicators are actually measured and calculated (using EU data sets) and that this information is being made available to the respective EC officials (e.g. country desks).
- Second, at this stage no targets, norms or bandwidths of outcomes are being defined for the dynamic indicators. This can (and should) be done but it requires further policy-making by the EC. At this stage we suggest that the checklist takes the EU average as the main point of reference, implying the ‘above EU average’ is considered a positive score (+), a score ‘at or around European average’ a neutral score (0) and ‘below EU average’ as a score that needs further improvement (-). Alternative targets might of course be set (e.g. at which the best performing MS is used as the benchmark for those above the European average, and the European

average as the benchmark for those MS below the European average) but this goes beyond the purpose of the study.

- Third, neither this set of indicators nor the checklist on which it is based is considered to replace other sets of indicators (e.g. the EMCO list of static institutional and transition indicators or the various composite indicators developed on the four components of flexicurity policies) or checklists (such as the guidelines checklist presented in the first part of this chapter). The monitoring of flexicurity policies requires a triangulation of various, complementary methodologies.

In the last panel the score of the MS compared to the European average is shown. The performance of each MS on these and other indicators can however be compared in various ways as already discussed in chapter 4. One obvious way is to use radar charts in which the scores of each country and for the EU as a whole on the various indicators of each of the four components can be depicted. The separate indicators can also be transformed into composite outcome indicators by creating indices for each of the indicators with the European average set at 100 and then taking the (un)weighted average of all the constructed indices for each of the four components or for all four components jointly. We have not done so in chapter 4 since we believe that the single indicators show more clearly the performance of countries on each separate dimension of flexicurity. The score on one indicator can be quite different from the score on another dependent on the particular pathway chosen. Taking the separate indicators together as composite indicators do would then blur the picture on the performance of the various countries belonging to different pathways on each of its constituent parts and therefore not being very useful for policy purposes.

Table 5.2. A checklist on dynamic flexicurity outcome indicators ¹⁾

Dynamic outcome Indicators	Level 1: Main Indicators			Score
Name/description		Type of flexibility/ security	Labels	Benchmark: EU average
I. FLCA- Flexible and Reliable Contractual Arrangements				
1.1. Flexibility/mobility		E+I Mobility		
1.1.1. Job mobility	VIJM	Mobility E+I	Voluntary/involuntary job mobility	+/0/-
1.1.2. Contract mobility	CM	Mobility E+I	Contract mobility	+/0/-
1.1.3. Working-time mobility	WTM	Mobility E+I	Working time mobility	+/0/-
1.1.4. Occupational mobility ²⁾	OM	Mobility E+I	Occupational class mobility	+/0/-
1.1.5. Wage mobility	WM	Mobility E+I	Wage mobility	+/0/-
1.2. Security				+/0/-
1.2.1. Dynamic Employment Security	ESI	Employment security	Employment security improvement	+/0/-
1.2.2. EMCO-employment security		Employment security	Employment security transitions	+/0/-
1.2.3. EMCO-Employment-Pay Security	EPS	Employment pay security	Employment-pay transition security	+/0/-
II. Life-long learning and training (LLL)				
2.1. Transitions into permanent job after training	JMTR	Employability security	Training related job mobility	+/0/-
III. Active labour market policies (ALMP)				
3.1. Labour market mobility	LMREEX	Job/employment security	Re-entry/exit mobility	+/0/-
3.2. Labour Market Re-Entry Chances	LMREXM	Job/employment security	Re-entry after x months of unemployment	+/0/-
IV. Modern social security systems incl. work-life balance (WLB)				
4.1. Income security transitions	YSI	Income security	Income security transition/improvement	+/0/-
4.2. Income mobility/improvement	NYI	Income security	Net Income (wage+benefit) mobility	+/0/-
4.3. Income replacement	NYIES	Income stability	Income mobility by employment status	+/0/-
4.4. In-work income security	IWYSI	In-work income security	In-work income security gains/losses	+/0/-
4.5. In-work income transition insecurity	LWYTIS	In-work income insecurity	Low wage income transition insecurity	+/0/-
4.6. In-work income improvement	IWLWTS	In-work income security	In-work Low wage Transition Security	+/0/-
4.7: Work-life balance or combination security (WLB)	WLBS	Work life balance security		+/0/-
4.7.1. WLB employment opportunities	WLBLMP	WLB security	LMP and part-time work by LC stage (annual)	+/0/-
4.7.2. WLB employment transitions	WLBET	WLB security	Employment Transitions by LC stage	+/0/-
4.7.3. WLB-WCC opportunities	WCC	WLB security	Participation in WCC	+/0/-
4.7.4. WLB-WCC transitions	WLBTS	WLB security	Between WCC transitions	+/0/-

Notes: ¹⁾ See chapter 4 for an explanation of the various indicators. ²⁾ Not available in SILC-L

CONCLUSIONS AND RECOMMENDATIONS FOR A METHODOLOGY OF MONITORING

6.1. Introduction and outline

The report aims at developing a framework or methodology for the monitoring of flexicurity policies in the MS starting from the premise that process oriented institutional and dynamic outcome indicators are a prerequisite for the stocktaking of countries' progress in improving the balancing of flexibility and security goals as being an important objective of flexicurity policies at the EU level. The need for defining dynamic indicators is clearly expressed in a recent working document authored by the director of the Lisbon Council who referring to EU2020, the next 10-year strategy for the EU, stressed the need for "a concerted effort to find measurements that can capture the notion of change, of dynamics, of movements in the economy and society" (Ann Mettler, EC, COM 2009, 647).

The underlying study started therefore off by assuming that the monitoring of policies requires a dynamic framework that is able to capture changes and dynamics in policies and outcomes. The dynamic framework then first, makes a distinction between flexicurity as a 'state of affairs' and as a 'policy strategy' for the MS and the EU as a whole. It consists of an analytical model to monitor the 'states of affairs' that we named the ' Stock-Flow-Outcome' or SFO- model, and a policy monitoring tool that we called the ' Efforts-States-Challenges' or ESC-model. The dynamic indicators developed in the SFO framework permit to monitor the progress in the 'states' part of the ESC framework whereas the achieved progress in the policy process as indicated by the efforts-states-challenges policy chain constitutes the institutional context affecting the stocks, flows and outcomes parts of the SFO model. In addition the ESC-framework might serve as a tool for developing process oriented institutional indicators for monitoring MS progress in the flexicurity domain.

The theoretical framework (SFO and ESC model) is explained in Chapter 2 and worked out for the analytical part (SFO-model) in Chapter 3 and 4 and for the policy strategy part in Chapter 5. Chapter 6 reviews the data sources used (6.2), the selection of transition indicators to be used based on some chosen set of selection criteria (6.3) and some recommendations on how to innovate the indicator framework with a view to flexicurity and work-life balance policies.

6.2. Data sources: Labour Force, Time-Use and SILC-data

One of the criteria to select indicators for monitoring concerns the availability of data sources that are regularly updated. In Box 6.1 we list the data sources available for defining indicators. A distinction is made between truly longitudinal data such as SILC and repeated cross-sections such as the Labour Force Survey. Since the study is aimed at defining dynamic indicators at the micro or individual level we especially used longitudinal data, in particular EU-SILC. Most of the currently used indicators are static and based on macro-level

information on institutions such as the EPL index and the benefit replacement rates. For some macro-level information the Labour Force Survey is used but we also examined the information captured in the Time Use Survey data.

Box 6.1: Data sources: longitudinal data

- Panel Data (prospective: repeated observations with same persons)
 - European Community Household Panel (ECHP) 1994-2001 (14 countries)
 - Hungarian panel (1992-7)
 - National panels (UK, Germany, Belgium, Netherlands, Luxembourg)
 - Statistics on Income and Living Conditions (SILC); 2003 (7 countries), 2003-2004 (11 countries), 2004-2006 (15 countries); 2005-2006 (26 countries); 2005-2007 (25 countries).
 - Survey on Health, Ageing and Retirement (SHARE), data, 50+ people (wave 1: 2003-2004 (11 countries); wave 2: 2005-2006 (14 countries) and 2008-2009 (16 countries).
- Life course data (retrospective: biographical information asked at various moments about work and/or life history)
 - UK (BHPS), Germany (GLHS), Netherlands (Family Surveys); Belgium (PBSH), Sweden (LNU) and Italy (ILFI)

Repeated cross-sections

- Labour Force Survey (LFS, small panel part) 1983-2007 (27 countries)
- Harmonised Time Use data based on diary information (early 2000's countries), see HETUS –database
- European Working Conditions Survey (repeated cross-sections); EWCS 1991(12 countries); 1996(15 countries); 2000/2001 (27countries), 2005 (31 countries), 2010 (34 countries).
- European Survey on Working Time and Work-Life Balance ESWT 2004/2005/2009
- European Social Survey (ESS) (survey on opinions, attitudes, values), 2001 (22 countries), 2003 (26 countries), 2004 (25 countries), 2006 (31 countries), 2008 (28 countries).
- European Values Study (EVS) (survey on ideas, values, preferences, attitudes, beliefs and opinions): 1981 (14 countries), 1990 (31 countries), 1999 (32 countries), 2008 (45 countries)

Work-life balance and time use data

We examined the information available in the European time-use data which contain rather unique comparative information on the time spent to all kinds of daily activities (work, leisure, consumption, caring, housework, shopping etc.) for an increasing number of countries. The survey is especially valuable to define time use indicators for the caring of children in different life course stages which information is important to define Work Life Balance (WLB) indicators. In the end we did however decide not to define new indicators from this source yet since the information to derive from these data happened to be available for a limited number of 11 countries and for a few time points only. When the data becomes available for all 27 member states in the near future it provides a very useful data source for defining indicators on the combination of working, education and caring duties

and work-life balance in general. For this study to gather information on all 27 EU Member States we opted for defining WLB indicators using the SILC data. Though the information on time spent to caring for children in the SILC data is virtually lacking (though the cross-sectional data contain information on the use of child care services) we were able to define a few relevant indicators at the household level. We started off from theory by viewing the different combination strategies households might follow for combining working and caring duties. From that framework we defined a classification of work-care combination strategies based on the time spent to working by both of the partners and the number of children. Then we viewed the changes in the work care combinations between two years and from that we derived a transition indicator in terms of the observed changes in work-care combinations. This was based on a so-called WLB-matrix of work-care combinations across the two years. We examined the transitions from one combination into another the next year.

The time use data would not have allowed us to define dynamic indicators since they are cross-sectional data. Hence, we decided to stick to the longitudinal SILC data.

6.3. Defining criteria for the selection of indicators

Selection criteria

The choice of the indicators is partly based on an assessment of the strong and weak points of the indicators as listed in table 2.1 in chapter 2. This boils down to answering the question to what extent the proposed or applied indicators meet some a priori defined criteria. To arrive at an agreed list of criteria to be used in the project we first looked into the work of the EMCO indicators group on defining indicators (EMCO 2008, 2009) and into the European Commission's report on indicators for monitoring the Employment guidelines (EC, 2007). The quality criteria used by the Commission in the latter report were:

- Policy relevance,
- Based on reliable statistical data, preferably from Community sources and for entire EU27 (EUROSTAT 25% rule),
- Comparability between Member States,
- Timeliness and freshness of data,
- Easy to understand and interpret.

For the review of indicators we derived from the literature some additional substantive and methodological criteria which are among others the following:

Substantive:

- The quality of information the indicators provide about the common principles and the integrated guidelines and the coverage of the guidelines.
- The time frame and nature of the information (static, repeated static, dynamic).
- The coverage of the various types of flexibility and security as distinguished in the flexicurity matrix.
- The (readily) availability of harmonised, comparable information for recent years
- The number of countries of the EU covered (most of the 27 countries need to be covered). Eurostat uses for social inclusion indicators the 25% rule, implying that at least information for 75% of all countries needs to be available.

Methodological

- The complexity of the algorithm and its calculation (indicators should be simple to calculate and explain).
- The decomposition of the indicators, especially by gender and social group.
- The measurement level of the indicators and whether it concerns single or composite indicators.
- In the case of composite indicators; the normalisation and weighting procedures that are used.
- The methodology to derive the single as well as composite indicators.
- The methods that enables visualisation of the performance of countries and pathways, both static as well as over time (radar charts, 3-D plots etc.).

For the selection of the indicators we finally limited ourselves to in our view the most important criteria from a policy perspective:

- Plausibility of the evidence provided and reliability of the data
- Availability of data for most of the 27 EU member states
- Timeliness and freshness of the data: data must be up-to-date
- Choice for a list of single indicators instead of composite indicators
- Focus on measuring changes and dynamics, that is on dynamic outcome indicators instead of on static and institutional indicators
- Simple algorithms to calculate the indicators and easy to understand for the broader audience
- The decomposition of the indicators by gender, employment status, age and education level
- The quality of the information with respect to the substance of the indicators and the coverage of the four main flexicurity domains: flexible and reliable contractual arrangements, life-long learning, active labour market policies and modern social security systems.

Using these latter criteria we defined a list of more than 20 level 1 indicators. For day-to-day policy purposes this list of about 20 indicators might still be too long. The further reduction though of the list into a more limited set might be needed for day-to-day policy purposes.

6.4 A list of Transition Outcome Indicators on Flexicurity and Work-Life Balance

This study reports on the development of a methodology for defining dynamic indicators on the performance of countries in the four domains of flexicurity policies (FLCA, LLL, ALMP and MSS). We commenced with viewing the list of EMCO indicators as reported in their latest 2009 progress report (EMCO, 2009). We judged their input-progress-output model a valuable approach that we thought would benefit from further work on transition indicators as we aimed at in this report.

We used the SILC data for 2005-2006/2007 to arrive finally at a set of 20 indicators which are listed in Table 6.1. We include detailed information about these indicators: description/name, type of security provided, acronym and label, data source and disaggregation possibilities. The set of 20 main or level 1 indicators is further disaggregated

into level 2 sub-indicators aimed at distinguishing ‘good’ (upward moves) from ‘bad’ transitions (downward moves) and level 3 analysis indicators where a further distinction can be made for upward and downward transitions by sex, education level, sector, age and life course stage.

Some of the income indicators provide information on 15 countries only due to the reference period of the information going back to the previous calendar year (2004-2005). We kept these indicators in the list since at the start of the research and the time of creating these indicators we had the data for 2003-2006 only covering 15 countries for the transition of 2004 to 2005. At the moment of writing (March 2010) data have become available which would allow us to include 25 countries for the transition 2005 to 2007.

The 20 main indicators show that the EU-SILC data are a useful source of information for the development of dynamic transition indicators to monitor the progress made in the framework of FLC/WLB policies at the MS level. The set now includes dynamic indicators for all four domains including life-long learning and active labour market policies. A further reduction of the 20 indicators into a limited number of 8 or 4 (1 or 2 for each policy domain) might be needed for policy purposes. The choice will then likely to be based on other than purely methodological or academic criteria (e.g. political desiderata) and be made in the social dialogue process at the EU level. Composite indicators seems at first sight attractive while they reduce the information contained in large sets of indicators into one or a few single metrics (e.g. on each of the four basic domains of flexicurity policies) but they also share an important drawback, that is, that they hide the underlying single policy measures which might be held responsible for the observed differences in outcomes across countries. One example is the overall EPL that without separating it into the three underlying components, EPL for regular jobs, temporary jobs and dismissal protection, gives a blurred picture of what’s going on in terms of flexibility at the country level. Also a composite indicator on life-long learning in which the share of participating employees, the investments in and costs of training, its duration and its level are summarized in one single metric might blur the comparison when single indicators level each other out or when they show a very different profile. For policy purposes we therefore need to select a few well-chosen single indicators which are capable of telling a clear story. Composite indicators are however important for analytical purposes to examine the combined effect of particular policy measures on the performance of the MS labour markets.

6.5 Conclusions with respect to the SFO and ESC-framework

The Stocks-Flows-Outcome framework

The SFO framework appeared useful to arrive at the definition of institutional and transition outcome indicators. The interest for dynamic indicators is growing due to the increasing volatility of labour markets and the larger importance attached to it in the economic, social and environmental policy domain at the EU level where the focus shifts to measuring change, transitions or dynamics instead of only states. To date, indicators were mainly static based on repeated cross-sectional data, in particular the Labour Force Survey, but thanks to the availability of the longitudinal SILC data covering the entire EU27, more dynamic indicators are potentially available. We believe the use of longitudinal data to be important for the monitoring of progress in the social domain for the years to come, especially with a view to EU2020, the next 10-year strategy of the EU. Data are needed to monitor change

and either they become available in the form of continuation of existing or the creation of new prospective (panel studies) and retrospective data (life-history data).

Building on the SFO-framework we hold a plea for:

- Defining indicators separately for *flexibility* and *security*, so as not to combine them into flexicurity measures, and for formulating indicators on the various components of flexibility and security, such as on internal and external, and numerical and functional flexibility and on income, employment, employability and work life balance or combination security
- Defining separate dynamic *institutional* and *outcome* indicators. A list of dynamic institutional and outcome indicators is presented in Table 2.1 in chapter 2. The focus in the project though has been on defining transition indicators using the SILC panel data for 2005-2006/2007 covering 26 countries of the EU.
- Defining *transition* and *duration* indicators, being indicators measuring the residence or stay in particular states contingent upon previous duration (see Table 2.1.). We hence formulated just for illustrative purposes the share of people still in unemployment after x months of unemployment. This measure of survival after x months can also be calculated on stays in e.g. training, education, social protection or life course stage (calculating how long it takes for young school leavers to find a permanent job).
- Defining measures for transitions at the *household level* and the *work life balance*, the latter pertaining to transitions between various work-care combinations. Though we lack information on time spent to child care we were able using the SILC data to define a transition measure indicating the transitions between various work-care combinations.

Comparing country scores

In the end in chapter 4 more than 20 level-1 main indicators were defined including the two transition indicators on employment and employment-pay security formulated by the EMCO-IG group.

All these indicators might be straightforwardly used to compare the scores of all the countries on the four policy domains to which they refer. The level 1 indicators seem particularly useful for policy purposes whereas the further disaggregated level-2 (upward-downward) and level-3 scores by sex, education level, sector, age or life course stage might be particularly useful for analytical purposes (see Table 6.1 for an overview). Definitions of all indicators are given in chapter 4 and not repeated here.

Table 6.1. List of Flexicurity Transition-Outcome Indicators

Outcome Indicators	Level 1: Main Indicators			Level 2: Sub-Indicators		Level 3: Analysis Indicators		
Name/description	Level 1	Type of flexibility/ security	Labels	Level 2	Labels	Disaggregation Level 3	Population	Source
I. FLCA- Flexible and Reliable Contractual Arrangements								
1.1. Flexibility/mobility		External+Internal Mobility (E+I)						
1.1.1. Job mobility	VIJM	E+I Mobility	Voluntary job mobility	VJMP	voluntary job mobility permanent job	sex, age, education, sector	Employed 16- 64	SILCL+ R
			Involuntary job mobility	IJMP	involuntary job mobility permanent job			
			voluntary job mobility	VJMT	voluntary job mobility temporary job	sex, age, education, sector	Employed 16- 64	SILCL+ R
			involuntary job mobility	IJMT	involuntary job mobility temporary job			
1.1.2. Contract mobility	CM	E+I Mobility	Contract mobility	CM	contract mobility, overall	sex, age, education, sector	Employed 16- 64	SILCL
				CMTP	contract mobility temporary to permanent			
1.1.3. Working-time mobility	WTM	E+I Mobility	Working time mobility	WTMU	upward working time mobility	sex, age, education, sector	Employed 16- 64	SILCL
				WTMD	downward working time mobility			
1.1.4. Occupational mobility *)	OM	E+I Mobility	Occupational class mobility	OMU	upward class mobility	sex, age, education, sector	Employed 16- 64	SILCL
				OML	lateral class mobility			
				OMD	downward class mobility			
1.1.5. Wage mobility	WM	E+I Mobility	Wage mobility	WMU	upward wage mobility	sex, age, education, sector	Employed 16- 64	SILCL
				WMD	downward wage mobility			

1.2. Security	Level 1	Employment security	Labels	Level 2	Labels	Level 3	Population	Source
1.2.1. Dynamic Employment Security	ESI	Employment security	Employment security improvement	ESIU	upward employment security	sex, age, education, sector	Pop.16-64	SILCL
				ESID	downward employment security			
1.2.2. EMCO-employment security		Employment security	Employment security transitions	EST	lateral plus upward employment transitions	sex, age, education, sector	Pop.16-64	SILCL
1.2.3. EMCO-Employment-Pay Security	EPS	Employment pay security	Employment-pay transition security	EPSU	upward employment-pay security	sex, age, education, sector	Employed 16-64	SILCL
				EPSD	downward employment-pay security			
II. Life-long learning and training (LLL)		Employability security						
2.1. Transitions into permanent job after training	JMTR	Employability security	Training related job mobility	JMTRP	job mobility after training to permanent job	sex, age, education, sector	Pop.16-64	SILCL
				JMTRT	job mobility after training to temporary job			
III. Active labour market policies (ALMP)								
3.1. Labour market mobility	LMREEX	Job/employment security	Re-entry mobility	LMRE	re-entry mobility	sex, age, education, sector	Une/Ina 16-64	SILCL
			Exit mobility	LMEX	exit mobility		Employed 16-64	SILCL
3.2. Labour Market Re-Entry Chances	LMREXM	Job/employment security	Re-entry after x months of unemployment	LMREXM				

4.1. Income security transitions	YSI	Income security	Income security transition/improvement	YSIU/D	upward - out of poverty	sex, age, education	Pop. 16-64	SILCL
				YSID	downward - into poverty			
4.2. Income mobility/improvement	NYI	Income security	Net Income (wage + benefit) mobility	NYIU	income gain	sex, age, education	Pop.16-64	SILCL
				NYID	income loss			
4.3. Income replacement	NYIES	Income stability	Income mobility by employment status	YMU	income mobility unemployed	sex, age, education	Pop.16-64	SILCL
				YME	income mobility employed			
4.4. In-work income security	IWYSI	In-work income security	In-work income security gains/losses	IWYSU	in-work upward -out of poverty	sex, age, education	Employed/non-working people 16-64	SILCL
				IWYSD	in-work downward into poverty		Employed/non-working people 16-64	SILCL
4.5. In-work income transition insecurity	LWYTIS	In-work income insecurity	Low wage income transition insecurity	LWYTISEX	exit low-wage & poverty	sex, age, education	Employed in low-wage jobs 16-64	SILCL
				LWYTISEN	entry low-wage & poverty			
4.6. In-work income improvement	IWLWTS	In-work income security	In-work Low wage Transition Security	IWLWTSU	upward low-wage mobility	sex, age, education	Employed low-wage and poor 16-64	SILCL
				IWLWTSD	downward low-wage mobility			

4.7. Work-life balance security (WLB)	Level 1	WLB security	Labels	Level 2	Labels	Level 3	Population	Source
4.7.1. WLB employment opportunities	WLBLMP	WLB security	LMP by LC stage (annual)	LMPLC	labour market participation by LC stage	sex, LC stage	Pop.16-64	SILCR+L
			Part-time work by LC stage (annual)	PTLC	part-time work by LCS	sex, LC stage	Pop.16-64	SILCR+L
4.7.2. WLB employment transitions	WLBET	WLB security	Employment Transitions by LC stage	LMRELC	re-entry mobility by LCS	sex, LC stage	Une/Ina 16-64	SILCL
				LMEXLC	exit mobility by LCS	sex, LC stage	Employed 16-64	SILCL
4.7.3. WLB-WCC opportunities	WCC	WLB security	Participation in WCC	WCCA	participation in each WCC, all HH	sex, LC stage	Pop.16-64	SILCR+L
				WCCE	participation in each WCC, employed HH	sex, LC stage	Employed 16-64	SILCR+L
4.7.4. WLB-WCC transitions	WLBTS	WLB security	Between WCC transitions	WLBTSU	upward WLB security	sex, LC stage	Pop.16-64	SILCL
				WLBTSU	downward WLB security	sex, LC stage	Pop.16-64	SILCL

Notes: *) Not available in the SILC-longitudinal data

Une=unemployed; Ina=inactive (not working) population; E+I=external plus internal; LM=labour market; LCS=life course stage

WCC=work-care combinations defined by number of hours work and care in households

SILCR/L=Statistics on Income and Living Conditions Cross-Sectional/Longitudinal

Single versus composite indicators

The indicators can be used as single indicators or as composite indicators. In the latter case the single scores are first transformed into indices taking the European average as the benchmark or unit (set at 100) and then calculating the (un)weighted mean of all single indicators per domain or over all domains. In the final step one can calculate scores for each country, the EU as such, or for various clusters of countries.

To arrive at an overall picture of the performance of countries on flexicurity the set of transition outcome indicators developed in this project need to be supplemented with the set of static institutional indicators, being summarized in chapter 4. These institutional indicators should preferably be used as *time series* indicating changes in policies and institutions over time.

Presentation of outcomes

For presentation purposes the use of radar charts might be an obvious way to visualize the outcomes derived from these indicators but alternative ways such as *cross-tables* or *bar charts* by country are also conceivable. In the end, the two pictures derived from the institutional indicators on the one hand and the dynamic outcome indicators on the other should be taken together and compared. This can be achieved for each country or across countries and pathways. Incongruence between the pictures based on the institutional versus the outcome indicators might lead to define new policy challenges leading to new policy efforts.

From an analytical perspective one might even go a step further in analyzing the relationship between the institutional and transition outcome indicators. One can examine the direct impact of institutions on outcomes by taking the single or composite institutional indicators as explanatory factors in statistical analytical models aimed at explaining the country's scores on transition outcomes with respect to job-to-job and contract mobility, and to income, employment and work-life balance security. One then gets insight into the single and combined effect of particular policies and measures on the desired outcomes in terms of balancing flexibility and security goals after correcting for obvious compositional differences across the countries. This renders further evidence for defining new challenges and new policy efforts.

The Efforts-States-Challenges framework

In chapter 2 we developed and explained our 'Efforts-States-Challenges' model to monitor flexicurity conceived as a 'policy strategy' for the EU and the individual MS. In chapter 5 we showed how the ESC model can be translated into a general framework for the monitoring of MS policies in the flexicurity domain. We also showed how the framework might fulfil a role in the EES as a monitoring framework for the reporting of MS in their National Reform Plans on the progress achieved in flexicurity policies. In the end we translated the general framework into two checklists. The first checklist methodology focuses on assessing the policy efforts put in by Member States in achieving the flexicurity oriented goals formulated in the European Employment Strategy (EES) and the Lisbon Agenda. This is done by checking whether these policy efforts are aligned with the EU policy guidelines (EES and Lisbon Agenda), whether they are internally consistent and operationalised with clear and quantified goals which can be monitored. The second checklist methodology takes the common principles and components of flexicurity as a starting point and uses the designed set of 20 level-1 main dynamic indicators supplemented with institutional indicators to

measure the progress MS make along the common principles and the four flexicurity components.

The next step then might be to assess whether countries indeed over time make progress in achieving the commonly agreed goals as formulated by the guidelines and the commonly agreed flexicurity principles. For each of the chosen indicators very concrete targets or norms might be set along which progress in the domain of flexicurity policies can be evaluated. The existing EES targets with respect to the level of employment for particular groups might then be supplemented with these new targets on a subset of the indicators. However, such targets are not yet available and need also to be subject of the social dialogue and consultation process at the EU level. Therefore we took the European average as the benchmark to examine to what extent member states perform better or worse than this benchmark and to assess MS progress over time. Instead of the European average the benchmark might also differ for member states performing below or above the EU average. For MS performing better than the average the best performing member state might be the benchmark.

We believe and hope that the SFO and ESC framework we developed in this study to monitor progress in the domains of flexicurity and work-life balance policies and its constituent components culminating in a limited set of transition indicators provide a helpful tool to measure and therewith achieve progress in the flexicurity domain at the MS and at the EU level.

References

- Chung, H., R. Muffels and T. Wilthagen (2009). Defining and testing flexicurity indicators in Europe: How well performs the Dutch Labour Market comparably? *OSA Reports*. Tilburg, OSA/Reflect, pp. 88.
- Bekker, S. & H. Chung (2009) Restructuring Organisations while Striving for Flexicurity. Connecting the European Level to National Contexts, In: Marie-Ange Moreau (ed.) *Building Anticipation of Restructuring in Europe*, Peter Lang Publishing Group, p. 303-330.
- Bekker, S., and Wilthagen, T. (2008). Flexicurity: A European approach to labour market policy. *Intereconomics: Review of European Economic Policy*, 43(2), 68-73.
- Castonguay, J. (2009). Benchmarking carrots and sticks. Developing a model for the evaluation of work-based employment programs, PhD dissertation, Amsterdam: Amsterdam University Press, pp. 240.
- Chung, H. Kerkhofs, M. and Ester, P. (2007), *Working Time Flexibility in European Companies*, European Foundation for the Improvement of Living and Working Conditions, Luxembourg: Office for Official Publications.
- Chung, H. (2007), Flexibility for Whom? A New Approach in Examining Labour Market Flexibility Focusing on European Companies, in Jørgensen, H., Kongshøj Madsen, P. and (ed.), *Flexicurity and Beyond Finding a new agenda for the European Social Model*, Copenhagen: DJØF Publishing, pp. 614.
- EMCO (2007), Employment guidelines 2005-2008, Indicators for monitoring and analysis, Brussels (employment_strategy/pdf/list_indicators_2007_en.pdf)
- EMCO (2008), Indicators for monitoring and analysis of Flexicurity: Progress report, Brussels: EC, The Indicators Group, pp.42.
- EMCO (2009), Monitoring and analysis of Flexicurity policies. Report endorsed by EMCO, EMCO Reports, Issue 2, pp. 41, European Commission, Brussels.
(<http://ec.europa.eu/social/main.jsp?catId=115&langId=en>)
- Eamets, R. and Masso, J. (2004), Labour Market Flexibility and Employment Protection Regulation in the Baltic States, IZA-Discussion Paper 1147, Bonn: IZA, pp. 1-35
- Ester, P., Muffels, R., J. Schippers & T. Wilthagen (eds.) (2008), *Innovating Labour Markets in Europe: Dynamics and Perspectives*, Cheltenham: Edward Elgar.
- Nardo M., Saisana M., Saltelli A., Tarantola S., Hoffman A. And Giovannini E. (2008), *Handbook on Constructing Composite Indicators. Methodology and user Guide*, OECD/JRC, OECD Publishing, ISBN 978-92-64-04345-9.
- European Commission (2008), Joint employment report 2007/2008, European Commission, Brussels, pp.16
- European Commission (2007a). Communication from the Commission to the Council, the European Parliament, The European Economic and Social Committee and the Committee of the Regions: Towards Common Principles of Flexicurity: More and better jobs through flexibility and security, Brussels, pp. 23.
- European Commission (2007b), Indicators for monitoring the Employment Guidelines including indicators for additional employment analysis, 2007 compendium, Brussels
- European Commission (2007d), *Towards common principles of flexicurity: More and better jobs through flexibility and security*. Brussels.
- European Commission (2007c). Second Stage of Consultation of European Social Partners on Reconciliation of Professional, Private and Family Life, Brussels, pp. 18.

- European Commission (2007b). Communication from the Commission to the Council, the European Parliament, The European Economic and Social Committee and the Committee of the Regions: Promoting Solidarity Between The Generations", (http://ec.europa.eu/employment_social/emplweb/news/news_en.cfm?id=248), pp. 16.
- European Commission, (2007a) Employment in Europe 2006, Office for Official Publications of the European Communities, Luxembourg,
- European Commission, (2006b) Employment in Europe 2006, Office for Official Publications of the European Communities, Luxembourg,
- European Commission (2006), *Joint employment report 2005/2006*. More and better jobs: Delivering the priorities of the European Employment Strategy. Brussels (http://ec.europa.eu/employment_social/employment_strategy/employ_en.htm).
- European Commission (2005). Integrated guidelines for growth and jobs (2005-2008), Document COM(2005), 141 final:2005/0057(CNS), Brussels 12.4.2005
- European Expert Group on Flexicurity (2007), Flexicurity Pathways. Turning hurdles into stepping stones, Brussels, pp. 41.
- European Foundation for the Improvement of Living and Working Conditions (Ed.) (2007a), Foundation findings – Flexicurity: Issues and challenges, Dublin.
- European Foundation for the Improvement of Living and Working Conditions (Ed.) (2007b), Working time flexibility in European companies. Establishment Survey on Working Time 2004–2005, Luxembourg: Office for Official Publications of the European Communities, pp. 74.
- European Foundation for the Improvement of Living and Working Conditions (2005): Working time options over the life course: changing security structures.
- Eurostat (2005), Comparable Time Use Statistics: National tables from 10 European Countries, Brussels: Eurostat.
- Fouarge, D. and R. Muffels (2009), Working part-time in The British, German and Dutch Labour Market: Scarring for the Wage Career? , *Schmollers Jahrbuch, Journal of Applied Social Science Studies*, 129, pp. 1 – 10
- Governatori, M., A. R. Manca, M. Mascherini, (2009), Towards a set of composite indicators on Flexicurity: The Composite indicator on Modern Social Security Systems, JRC 55559, European Communities, Luxembourg: Office for Official Publications of the European Communities.
- Kemperman, B. (2009), Combining Work and Care. The effect on women's subjective well-being in Germany. Master thesis under supervision of prof. R. Muffels, Tilburg University, pp. 92.
- Kerkhofs, M., Chung, H. and Ester, P. (2008), 'Working time flexibility across Europe: a typology using form-level data', *Industrial Relations Journal*, **39**, (6), 569-85.
- Klammer, U., Muffels, R. and Wilthagen, T. (ed.), (2008), *Flexibility and Security over the Life course. Key findings and policy recommendations from the Foundation research*, Luxembourg: Office for Official Publications of the European Communities, ISBN 978-92-897-0806-7, (forthcoming), pp. 64.
- Kogan, Irena, Gebel, Michael and Clemens Noelke (Hrsg.) (2008). Europe enlarged: a handbook of education, labour and welfare regimes in Central and Eastern Europe. Bristol: The Policy Press
- Leschke, J., Watt, A. and Finn, M. (2008), Putting a number on job quality? Constructing a European Job Quality Index, Brussels: ETUI-REHS Research Department, pp. 25.

- Leschke, J. and Watt, A. (2008), *Job Quality in Europe*, Brussels: ETUI-REHS Research Department, pp.41.
- Marsden, D. (2008), *Study and conference on European Labour Market Analysis using Firm-level Panel Data and linked Employer-Employee Data. Final Report*, Brussels: European Commission, pp.170.
- Mascherini, M. and A. R. Manca (2009). *Towards a set of composite indicators on Flexicurity: The Composite indicator on Active Labour Market Policies*, JRC 53183, European Communities, Luxembourg: Office for Official Publications of the European Communities, pp. 78.
- Mascherini, M. (2008). *Towards a set of composite indicators on Flexicurity: The dimension of Life Long Learning*, JRC 47627, European Communities, Luxembourg: Office for Official Publications of the European Communities.
- Mettler, A. (2009). *Innovating indicators. Choosing the Right Targets for EU2020*, Lisbon Council E-brief, Commission Working Document: Consultation on the Future, "EU2020" Strategy, Brussels, COM (2009), 647, pp. 1-16.
- Muffels, R.J.A., and Luijkx, R. (2006). *Globalization and male job mobility in European welfare states*. In H-P Blossfeld, M. Mills, and F. Bernardi (Eds.), *Globalization, uncertainty and men's careers* (pp. 38-72). Cheltenham, UK: Edward Elgar.
- Muffels, R. (ed.), (2008), *Flexibility and Employment Security in Europe: Labour Markets in Transition*, Cheltenham: Edward Elgar, pp. 422.
- Muffels, R., H. Chung, D. Fouarge, U. Klammer, R. Luijkx, A. Manzoni, T. Wilthagen and A. Thiel (2008), *Summary Report Flexibility and Security over the Life course*, Tilburg University/European Foundation, pp. 56.
- Muffels, R. and Luijkx, R. (2008a), *The Relationship between Labour Market Mobility and Employment Security for Male Employees: Trade-off or Flexicurity?*, *Work, Employment and Society*, **22** (2), 221-42.
- Muffels, R. and R. Luijkx (2008b), *Male Labour Market Mobility and Income and Employment Security in Europe*, In: Muffels, R. (ed.), *Flexibility and Employment Security in Europe: Labour Markets in Transition*, pp. 133-169.
- Muffels, Ruud and Bruce Headey (2008), *Sen-sitising flexicurity: the role of pathways and capabilities in explaining career-long income and employment security using German and Australian Panel Data*, Tilburg University, mimeo, pp. 1-32.
- Muffels, R. (2009), *Defining Dynamic Measures for Flexibility and Security: How well performs the Dutch Labour Market Comparably using SILC?*, *ReflecT*/Tilburg University, pp. 28.
- OECD (1994), *The OECD Jobs Study. Facts, Analyses, Strategies*. OECD: Paris, pp. 55.
- OECD (1999), *Employment Outlook*. Paris 1999.
- OECD (2002), *Implementing the OECD Jobs Strategy: Lessons from Member's Countries Experience*, Economics Department Working Papers, OECD: Paris.
- OECD (2004). *Employment Outlook 2004*. OECD: Paris.
- OECD (2007). *Benefits and wages 2007*. OECD: Paris.
- OECD/JRC-European Commission (2008), *Handbook on Constructing Composite Indicators. Methodology and User Guide*, Brussels: OECD, pp. 148.
- Pacelli, L., Devicienti, F., Maida, A., Morini, M., Poggi, A. and Vesan, P. (2008), *Employment security and employability: A contribution to the flexicurity debate*, Luxembourg: Office for Official Publications of the European Communities: European Foundation for Working and Living Conditions, pp. 47.

- Philips, K. and Eamets, R. (2007), *Approaches to flexicurity: EU Models*, Luxembourg: Office for Official Publications of the European Communities: European Foundation, pp.51.
- Seifert, H. and Tangian, A. (2007), *Flexicurity: Reconciling Social Security with Flexibility — Empirical Findings for Europe*: WSI-Diskussionspapier, pp.1-35.
- Standing, G. (1999), *Global Labour Flexibility*. London: Macmillan
- Sen, A. K. (1993) "Capability and Well-Being". In M. Nussbaum and A. K. Sen (eds.), *The Quality of Life*. Oxford: OUP.
- Stiglitz, J. , Sen, A. & Fitoussi, J.-P. (2009). Report by the Commission on the Measurement of Economic Performance and Social Progress, European Union, Brussels.
- Tonin, M. (2004), *Flexibility and Security in the Labour Market. The Wage Dimension*, Genève: ILO, pp.58.
- Visser, J., T. Wilthagen, R. Beltzer en E. Koot-van der Putte (2004), "The Netherlands: from atypicality to typicality", in: S. Sciarra, P. Davies en M. Freedland (eds.), *Employment Policy and the Regulation of Part-time Work in the European Union. A Comparative Analysis*. Cambridge: Cambridge University Press, 19-223
- Wilthagen, T. (1998). *Flexicurity: a New Paradigm for Labour Market Policy Reform?*, Berlin: WZB Discussion Paper FS I 98-202.
- Wilthagen, T. and Tros, F. (2004). The concept of 'flexicurity': a new approach to regulating employment in the labour market. *TRANSFER-European Review of Labour and Research*. Vol.10, 2:166-186.
- Wilthagen, T. and M. Houwerzijl (2005): 'How does flexibility affect social cohesion? The Council of Europe's tree model revisited', in: Council of Europe, *Reconciling labour flexibility with social cohesion - Facing the Challenge*. Strasbourg: Council of Europe (Trends in social cohesion, No. 15), 109-131
- Wilthagen, T. (2005): "Striking a balance? Flexibility and security in European Labour Market" In *Employment policy from different angles*, Copenhagen: DJØF Publishing.

TYPES OF FLEXICURITY AND EES INDICATORS

Table A1: Classification of types of flexibility and security and their linkage

<i>Type of flexibility</i>	Description/definition	<i>Type of security</i>	Description/Definition
<i>F1. Numerical, internal</i>	<ul style="list-style-type: none"> Working Hours Flexibility (part-time; overtime; multiple jobs) 	<i>S1. Job security</i>	<ul style="list-style-type: none"> Security of employment in current job
	<ul style="list-style-type: none"> Working Time Flexibility (flexible WT, WT accounts; career breaks, leave options; flexible pensions) 	<i>S2. Work-life balance or combination security</i>	<ul style="list-style-type: none"> Availability of child care relief, working time and care/education leave options according to needs
<i>F2. Numerical, external</i>	<ul style="list-style-type: none"> Contract flexibility (temp agency; casual; fixed-term; on-call; hours; in-outsourcing; subcontracting; homework; telework; labour pool) 	<i>S3. Employment/contract security</i>	<ul style="list-style-type: none"> Security of employment and/or contract
<i>F3. Functional, external</i>	<ul style="list-style-type: none"> Labour force flexibility (knowledge worker; detachment; free-lance; advising/consultancy) 		
<i>F4. Functional, internal</i>	<ul style="list-style-type: none"> Labour input flexibility (multi-skilling; multi-tasking; task/job rotation; task/job enrichment) 	<i>S4. Employability security</i>	<ul style="list-style-type: none"> Opportunities to acquire and maintain skills
		<i>S5. Representation security</i>	<ul style="list-style-type: none"> Protection of collective voice through worker's representation and trade unions/ employer organisations
		<i>S6. Workplace security</i>	<ul style="list-style-type: none"> Safe/ Healthy workplaces
<i>F5. Wage flexibility</i>	<ul style="list-style-type: none"> Wage/Pay flexibility (wage/salary changes; average pay; performance related pay; anciennity pay; group pay; piece work; bonuses) 	<i>S7. Wage/Income security</i>	<ul style="list-style-type: none"> Fair/equal pay Safeguarding income against social risks

Source: Muffels (2008), reworked from Standing, 1999 & Wilthagen, 1998, 2004

Table A1.2 Indicators on flexicurity within the EES (guideline 21)

GL 21	Promote flexibility combined with employment security		
Monitoring Indicators			
M1	Transitions by type of contract	Transitions between non-employment and employment and within employment by type of contract from year n to year n+1	SILC
M2	Diversity/ reasons for contractual/work arrangements	Non-standard employed broken down by part-time, fixed-term, part-time and fixed-term as % of total employees. Idem for self-employed.	LFS
M3	Accidents at work	Index of the number of serious and fatal accidents at work per 100 000 persons in employment. (1998=100)	ESAW
Analysis Indicators			
A1	Undeclared work	Size of undeclared work in national economy (e.g. as share of GDP or persons employed)	NS
A2	Working time	Average weekly number of hours usually worked per week	LFS/ NA
A3	Hours of overtime work		LFS
A4	Transitions by pay level	Transitions between non-employment and employment and within employment by pay level from year n to year n+1	EODS
A5	Growth in labour productivity	Growth in GDP per person employed and per hour worked	SBS
A6	Occupational diseases		
A7	Employment in newly established enterprises	N of persons employed in newly born and surviving enterprises (set ups up to t-3) in relation to employed in all active enterprises (in year n)	